

**FISCAL STRESS AND POLITICAL ORDER IN RURAL CHINA: LOCAL  
GOVERNMENT AND PEASANT PROTEST IN HUNAN IN THE 1990s AND  
BEYOND**

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**FISCAL STRESS AND POLITICAL ORDER IN RURAL CHINA: LOCAL  
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Based on more than two years of ethnographic fieldwork in Hunan, the prototype of rural China, this dissertation explains why a predatory state emerged in China at the village, township, and county levels in the 1990s. It also explores patterns of peasant resistance to the predatory state and analyzes the impact of peasant protest on local and national rural policies.

The local government in rural China experienced a profound fiscal crisis in the 1990s. Because of internal corruption and competition from the private sector, the public sector collapsed, depriving local governments of their main source of revenue. The tax-sharing system adopted in 1994 and various unfunded central mandates significantly increased local fiscal responsibilities. The fiscal crisis induced local governments to impose ever-increasing taxes and fees on peasants.

The rise of the predatory local state led to widespread peasant discontent. In only a few cases, however, did peasants succeed in mounting sustained protest against the local government. This happened when peasants sensed an opening in the political opportunity structure and when peasant leaders emerged. Protests usually started when peasants acquired central documents on lowering peasant burdens, which they used to argue that they had the right to withhold taxes and fees.

Peasant leaders were “peasant cadres” and “peasant intellectuals,” who were better-educated than other peasants and who had worked for the party-state at some point in their lives. As a result, they could speak and write well. They also had good

knowledge of party policies, which allowed them to challenge the interpretative framework of the local government without appearing to question the legitimacy of the party-state. Finally, they provided a shield of protection for their fellow villagers.

The state eventually repressed most protests by jailing protest leaders. However, protestors sometimes obtained economic concessions from the local government. Moreover, in the 2000s, the central government reformed rural public finance and introduced subsidies to peasants and local governments (the “tax-for-fee reform” and the policy of “constructing the new socialist countryside”). This cycle of revenue maximization, resistance, and reform illuminates the interactive and mutually transformative relationship between the state and society in China.

## BIOGRAPHICAL SKETCH

Zhang Wu was born in 1970 in Hunan province in the People's Republic of China. She grew up on the campus of a teachers' training college built in the midst of the rice paddies of south China as a result of Chairman Mao's policy of bringing higher education to the doorsteps of peasants.

In 1988, she was admitted to Beijing University, where she graduated with a B.A. in international relations in 1992. In 1994, she joined the many Chinese students who continued their education in the United States, entering the graduate program in political science at the University of Oregon. In 1996, she transferred to the Ph.D. program in government at Cornell University.

In 2001–2003 and again in 2004–2005, she returned to Hunan to do field research on local government and peasant protest in rural China. This dissertation is based on hundreds of hours of interviews with peasants and cadres that she conducted during these field trips, supplemented by government documents and statistics.

Zhang Wu teaches East Asian politics at Union College. In her spare time, she likes to play table tennis and to read *The Dream of the Red Chamber*.

For my parents, Zhang Xiaolin and Wang Shunhong

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**INTRODUCTION:**  
**WHAT MAKES LOCAL GOVERNMENT WORK AND WHAT MAKES**  
**PEASANTS REBELLIOUS?**

**Introduction**

On January 8, 1999, in Changtang Town, Yuanxiang County in northern Hunan, a major grain-producing province in Central China, there was a standoff between over 40,000 peasants from nearby towns and 3000 troops and anti-riot police officers armed with dogs, electric clubs, and tear gas. The peasants were eager to enter the government compound, where it was said that Guo, a middle-aged peasant leader who had been organizing protests against heavy taxation, was holding a mass meeting on lowering peasant burdens (taxes and fees). An old woman, pointing at a huge portrait of Mao Zedong that she was wearing on her chest, shouted at the guards, “You do not allow me to enter. How dare you not even allow HIM inside!” With these words, chaos spread quickly as the peasants tried to push inside the compound. Police officers fired tear gas at the crowd. One old peasant’s leg was broken and one woman’s face was severely injured.<sup>1</sup>

On exactly the same day, tens of thousands of angry peasants in the nearby town of Cangyuan in exactly the same county ransacked the town government, smashing doors, windows and tables, destroying quilts and clothes, stealing pots, and setting fire to the building. They also found piles of booklets from higher levels of the government on relieving peasant burdens and brought them home. Because most public security personnel and county officials, including the party secretary of the county were stationed in Changtang town to fend off the peasants, Cangyuan town

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<sup>1</sup> Interviews with ordinary peasants, peasant protest leaders and their relatives in Xujiaba and Sanyi Village, Changtang Town, Yuanxiang County, October 2002.

was unguarded when the enraged peasant crowd arrived. The town cadres and the county magistrate were hiding in the nearby mountain. This huge peasant crowd from four to five towns was formed two days earlier when the news spread like fire among peasants that Duan, a former village party secretary who had been advocating relieving peasant burdens, died during a conflict with the town government over tax collection.<sup>2</sup>

Agrarian China, particularly Hunan, Hubei, Jiangxi, Anhui and Henan, all grain-producing provinces in Central China, was engulfed in peasant protest against heavy taxes and fees in the 1990s.<sup>3</sup> Caught in a fiscal crisis since the early 1990s, heavily indebted, corrupt, and bloated out of proportion, the local government (counties, towns/townships, and villages) became predatory toward peasants, collecting so many taxes and fees from them that farmland, the ownership of which had been the dream of a Chinese peasant for thousands of years, became a burden rather than an asset. To ensure that peasants would comply, the local government often resorted to a brutal and naked exercise of the state's coercive power, stripped of any vestige of benevolence and caring, leaving no chance for peasants to develop any kind of "false consciousness" (Gramsci 1971). In the minds of peasants, the local government in the 1990s had become nothing but a greedy grain collector.

Many peasants, however, refused to pay. Some adopted what Albert Hirschman (1970) calls the "exit" strategy and abandoned their farmland. Others

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<sup>2</sup> Interviews with Duan's wife, his relatives, and other peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

<sup>3</sup> For a comprehensive study on peasant burdens and peasant protest, see Thomas P. Bernstein and Xiaobo Lu, *Taxation Without Representation in Contemporary Rural China* (Cambridge: Cambridge University Press, 2003). The earliest organized peasant protest against heavy burdens happened in 1993 in Renshou County, Sichuan province. For a detailed case study of the Renshou protest, see Pan Wei, *Nongmin yu shichang* [Peasants and the market] (Beijing: Shangwu yinshuguan, 2003), chapter 4. See also Bernstein and Lu, *Taxation without Representation*, 130-137. For a general discussion of the economic problems of the Chinese countryside in the early 1990s, see Andrew Wedeman, "Stealing from the Farmers: Institutional Corruption and the 1992 IOU crisis," *The China Quarterly*, no. 152 (December 1997): 805-831.

engaged in what James Scott (1985) calls “everyday forms of resistance.” They shut their doors when they saw the local cadres coming. They haggled with the cadres about whether, how much, when, and how they would turn in their taxes and fees. They quarreled with the cadres and got into fistfights with them. In the most extreme cases, they committed suicide. Still others became “primitive rebels” (Hobsbawm 1959) and rioted. In quite a few places, however, peasants succeeded in mounting sustained protest against the local predatory state. While local governments and peasants in the 1990s engaged in constant and very often bloody battles, public projects and services in rural China, such as irrigation, rural roads, basic education, and social welfare, were in shambles. In short, China, though developing rapidly in the 1990s, was facing a rural crisis.

### **Research Questions**

This dissertation explores the reasons behind China’s rural crisis in the 1990s. The life of a peasant, of course, has never been easy. Georges Lefebvre (1973) starts his book *The Great Fear of 1789: Rural Panic in Revolutionary France* with the following sentence: “‘The people,’ writes Taine in his *Ancien Regime*, ‘are like a man walking in a pond with water up to his mouth: the slightest dip in the ground, the slightest ripple, makes him lose his footing – he sinks and chokes.’”<sup>4</sup>

R. H. Tawney describes the Chinese peasantry in the 1930s: “The Chinese peasant is like a man standing on tiptoe up to his nose in water—the slightest ripple is enough to drown him.”<sup>5</sup> The almost identical description of the miserable situation of

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<sup>4</sup> Georges Lefebvre, *The Great Fear of 1789: Rural Panic in Revolutionary France* (New York: Schocken Books, 1973).

<sup>5</sup> R. H. Tawney, *Land and Labor in China* (New York: Octagon Books, 1964), cited in Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge, MA: MIT Press, 2007), 40.

the French and the Chinese peasantry almost two centuries apart demonstrates that for peasants all over the world, poverty and the need to struggle just to survive have always been part of everyday life. A major reason for their poverty and constant danger of starvation is heavy taxation from the state. To launch wars, to support a large and expanding bureaucracy, and to develop industry, various states have repeatedly turned to the peasantry as a source of revenue.<sup>6</sup>

Thus, heavy taxation of the peasantry by the local government is certainly not a new phenomenon in either China or any other place. The long agrarian history of China is particularly full of tax riots, protests, rebellions, and revolutions fueled by overtaxed peasants.<sup>7</sup> Some scholars, such as Jonathan Spence (1999, 387-388) have argued that the main problem of the Chinese countryside has always been heavy taxation from the state, rather than class exploitation by the landlords. Fiscal discontent, he argues, rather than class hatred, has been the main cause of peasant resistance in Chinese history.<sup>8</sup>

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<sup>6</sup> For heavy taxation of the peasantry during the Republican era (1912-1949), see Prasenjit Duara, "State Involvement: A Study of Local Finances in North China, 1911-1935," *Comparative Studies in Society and History* 29, no. 1 (January 1987): 132-161. See also his book *Culture, Power, and the State: Rural North China, 1900-1942* (Stanford, California: Stanford University Press, 1988). For a brief historical overview of agricultural taxes from imperial to Maoist China, see Bernstein and Lu, *Taxation Without Representation*, chap. 2. For the taxes that the French bourgeois state levied on the peasantry in the 19<sup>th</sup> century, see Marx's "The Eighteenth Brumaire of Louis Bonaparte," in Robert Tucker, ed., *The Marx and Engels Reader*, 2<sup>nd</sup> ed. (New York: W. W. Norton, 1978), 594-617.

<sup>7</sup> See, for example, Lucien Bianco, *Peasants Without the Party: Grass-roots Movement in Twentieth-Century China* (Armonk: M.E. Sharpe, 2001); Elizabeth Perry, *Rebels and Revolutionaries in North China, 1845-1945* (Stanford: Stanford University Press, 1980) and the first four empirical chapters of Elizabeth Perry, *Challenging the Mandate of Heaven: Social Protest and State Power in China* (Armonk: M. E. Sharpe, 2002); and Jonathan Spence, *The Search for Modern China*, 2<sup>nd</sup> ed. (New York: W. W. Norton, 1999). For a review of the literature, see Frederick Wakeman, Jr., "Rebellion and Revolution: The Study of Popular Movements in Chinese History," *The Journal of Asian Studies* 36, no. 2 (February 1977): 201-237.

<sup>8</sup> See Jonathan Spence, *The Search for Modern China*, 387-388. For example, Spence writes that peasant attacks in the 1920s and 1930s usually targeted the "representatives of the state: the civil and military officials who gouged them with high taxes and unexpected surcharges..." (387). He also argues that "the skill of Communist organizers like Mao lay in transforming a largely fiscal discontent into class warfare, so as to push effectively for revolutionary change under CCP" (388).

Though there was nothing new about heavy rural taxation, it was still surprising that the local government in rural China in the 1990s had to resort to such an inefficient way to collect tax revenue and face such an anachronistic problem. After the disbanding of the People's Communes in the late 1970s and the early 1980s, the individual peasant household, rather than the production team in a commune, became the unit for rural taxation. In the 1990s and early 2000s, China had more than 700 million peasants scattered in over 40,000 townships.<sup>9</sup> Collecting taxes and fees from them was a mammoth project that involved countless local cadres. It was not only taxing and time-consuming, but also conflict-ridden, for peasants in many places protested and rioted against heavy taxation.

Ever since China launched market reforms in 1978, its economy has been growing at more than 10% a year on average (Naughton 2007). The structure of the Chinese economy has been transformed by this "long-boom."<sup>10</sup> The share of the GDP originating from the agricultural sector declined from 42% in 1978 to 29% in 1990 and then further to 13% in 2004. The industrial sector only produced 29% of the national GDP in 1978 but developed rapidly in the 1990s. While the industrial share of the GDP only increased from 29% to 32% from 1978 to 1990, it rapidly increased from 32% to 46% from 1990 to 2004 (Naughton 2007, 154-155). There are reasons to expect that a country's tax system would reflect its economic structure. The industrialization and economic growth in China in the 1990s, therefore, should make it less necessary to tax the rural sector, particularly given the fact that the agricultural tax

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<sup>9</sup> "In 2000, China had some 44,867 townships, of which 1,356 were specially designated as having large minority populations." See Kenneth Lieberthal, *Governing China: From Revolution Through Reform*, 2<sup>nd</sup> ed. (New York: W. W. Norton, 2004), 184.

<sup>10</sup> The term "long boom" comes from chapter 2 by Loren Brandt, Thomas G. Rawski, and Xiaodong Zhu, "International Dimensions of China's Long Boom," in *China's Rise and the Balance of Influence in Asia*, ed. William W. Keller and Thomas G. Rawski (Pittsburgh, PA: University of Pittsburgh Press, 2007), 14-46.

discussed in this dissertation was introduced in the 1950s, when China was far poorer and far more agrarian than it was in the 1990s.

According to Margaret Levi (1988), all rulers want to maximize their revenues. To do that, they must design a tax system that minimizes transaction costs, given the constraints of the bargaining power of the rulers and their discount rate for the future (chap. 2). The transaction costs are “the costs of measuring, monitoring, creating, and enforcing compliance” (12). The transaction costs for taxing millions of Chinese peasants were extremely high. It would have been much easier for the Chinese state to tax large and profitable enterprises, rather than millions of small peasant households. However, until 2007, China’s large and profitable state-owned enterprises, such as Baosteel, did not have to pay any dividends.<sup>11</sup> Why didn’t the Chinese state in the 1990s maximize its revenues? What pushed the local government in rural China to collect so many taxes and fees from the peasants in the 1990s, in spite of the tremendous difficulty of taxing them?

Understanding why the local government in rural China became predatory toward peasants in the 1990s and how it collected these taxes and fees from them provided us with only one side of the story of rural China. Peasants, though weak, were never completely powerless in the face of an intruding or predatory state.<sup>12</sup> Though they often failed to wrest any long-lasting concessions from the state, they did sometimes succeed in leaving their imprint on state policy. This dissertation will study peasant resistance to the local predatory state in the 1990s. It will explain why peasant responses toward the predatory local state in the 1990s varied in different regions in

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<sup>11</sup> See chapter 1 of this dissertation for details.

<sup>12</sup> See, for example, Daniel Kelliher, *Peasant Power in China: The Era of Rural Reform, 1979-1989* (New Haven: Yale University Press, 1992) and Kate Xiao Zhou, *How the Farmers Changed China* (Boulder, CO: Westview Press, 1996).

China and what enabled peasants to gain more concessions from the local government in some places than in others.

Specifically, I will ask three research questions. First, why did peasants protest in some places but not in others? Second, why were some peasant protests more successful in reducing peasant burdens than others? Third, how far could peasant protest diffuse from the protest center, defined as the village where the most prominent peasant leader lived?<sup>13</sup>

### **Dissertation Fieldwork and Goals**

To answer these questions about the emergence of the local predatory state and peasant resistance, I carried out more than two years of detailed ethnographic fieldwork in Hunan, a large grain-producing province in Central China (see figure I.1). Altogether I made three interview trips (March 2001-June 2003, summer 2004 and winter 2005). The fieldwork covered seven of Hunan's fourteen prefectures, ranging from the north to the south, and all three topographies of the province, namely hilly areas, lake areas, and mountainous areas. I interviewed hundreds of ordinary peasants, peasant leaders and their relatives, and local cadres at all five administrative levels in the province of Hunan (villages, townships, counties, prefectures, and the province). I also collected government documents and statistics.

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<sup>13</sup> The concept of "movement center" comes from Aldon Morris, "Black Southern Student Sit-In Movement: An Analysis of Internal Organization," *American Sociological Review* 46, no. 6 (December 1981): 744-767.



**Figure I.1: Map of China (Hunan Province Highlighted)**

As the largest agrarian society in the world, the relationship between the local government and peasants has always been an important question in China. Much of the scholarship on traditional Chinese politics and society and, of course, much of the drama of Chinese history revolves around this key question. This question also has enduring importance in China, which remains largely an agrarian society despite three decades of rapid economic growth. More broadly, the local government is the foundation for any political system. No strong political system can be built on a weak local government. Furthermore, no sound political system can afford to see the local government slipping away from its grip and disintegrating. This is particularly the case in China, the most populous country in the world, where most of the people are peasants governed by local governments.

My dissertation has two goals. First, I want to make an empirical contribution to our understanding of rural taxation and peasant protest in contemporary China. I am very much intrigued by the emergence of the local predatory state when everybody is talking about the rise of China. I would like to find out the reasons behind this odd phenomenon. I am also curious about widespread peasant protest in the 1990s. I want

to give the readers a broad picture of the ebb and flow of peasant protest in contemporary China. My second goal is to explore some broader theoretical issues that the Chinese case raises: what makes the local government work, how best to conceptualize the relationship between state and society in China, and what makes peasants rebellious.

My thesis makes three theoretical arguments. First, I argue that neither a society-centered approach which emphasizes the importance of associations (Putnam 1993; Tsai 2007) nor a state-centered approach which emphasizes concepts such as state capacity and state autonomy (Evans, Rueschmeyer, and Skocpol 1985; Evans 1989, 1995) can explain the emergence of the local predatory state in China. Instead, I suggest that the emergence of the local predatory state can be explained easily by the contradiction between the economic foundation and the superstructure of the local government, which is a basic Marxist insight. Second, I argue that the best way to depict contemporary Chinese polity is through the state-in-society approach (Migdal, Kohli, and Shue 1994), which emphasizes the interactive and mutually transforming relationship between the state and society. Third and finally, I develop a model of social protest in China that explains the emergence, mobilization, diffusion, and decline of protest. It argues that protest leadership played a crucial role in the emergence of peasant protest. It also advances a state-centered approach to social protest and argues that the party-state produced future protest leadership and provided the protest frame which legitimized peasant protest, but also dampened the militancy of protest and created administrative boundaries that limited the diffusion of protest. Peasant protest in China, therefore, was both facilitated and constrained by the party-state.

## Part I: What Makes Local Government Work?

The emergence of the local predatory state in China raises a theoretical question: What factors enhance or undermine the institutional performance of the local government? In other words, what makes the local government work? The existing literature dealing with this question can be divided into two camps: the society-centered approach and the state-centered approach. I will show that the society-centered approach is misleading when it comes to the case of China because it focuses on social groups and loses sight of the most important actor in contemporary China: the state. The state-centered approach also needs to be modified. Specifically, the concept of state capacity needs to be refined and the concept of state autonomy should be replaced by the concept of political accountability, which includes not only the style and ethos of the bureaucracy, but also its responsiveness toward social groups.

In *Making Democracy Work*, Robert Putnam (1993) argues that social capital, defined as social trust or civic virtue, which people develop through attending civic associations such as “amateur soccer clubs, choral societies, hiking clubs, bird-watching groups, literary circles, hunters’ associations, Lions Clubs, and the like” (91) can enhance institutional performance of the local government, including its responsiveness and effectiveness (63-64). These civic associations form dense informal and horizontal networks, which nurture social capital through the norm of reciprocity (171).

In *Accountability without Democracy*, Lily Tsai (2007) argues that “encompassing and embedding solidary groups” (13-19), such as “temples, churches, and lineages” (12) can promote provision of public goods in undemocratic countries, such as China, where formal political accountability is lacking. This is because officials in these groups share the same ethical standards with the group and have moral obligation toward the group (chap. 1). Thus, doing good deeds, such as

providing for public goods for fellow villagers, can increase the officials' moral standing in the community. The incentive of officials to achieve moral standing thus provides informal political accountability in an undemocratic country, which will then lead to better provision of public goods in the countryside in China.

I argue that both arguments take us to the wrong place if we are truly interested in establishing good governance and providing sufficient public goods to peasants in China. They both romanticize social groups and neglect the triviality or oppressiveness of some of these groups. Both arguments reflect a deep suspicion of the state, particularly undemocratic states, in modern Western political philosophy. China has a different political tradition, where the state has always played a major role in regulating social and economic activities. Further, in the Chinese political culture, the state has a moral authority that is independent from that of civil groups.

Some social groups, whether traditional or civil, can be alienating, corrupt, and oppressive. Further, no actor other than the government itself can solve the complex problems of rural China. A strong government is what China needs, and a strong government cannot be built on the basis of soccer clubs and choral societies or even temples and lineage groups, which have played an important role in Chinese history, but have often provided organizational, ideological, and leadership sources for rebellion against the state.

Peter Evans argues that a predatory state, such as Zaire, emerges when there is a "combination of weak internal organization and individualized external ties" (1989, 571). A developmental state, on the other hand, is characterized by "embedded autonomy" (1995). It is embedded because the state forms organized links with private corporate elites. It is autonomous because the state has a strong internal organization, which is defined as a "coherent meritocratic bureaucracy" (1989, 573) made up of those who are recruited through tough civil service exams and whose corporate

identity is strengthened by informal ties they form among themselves. These kinds of states are considered to be autonomous or insulated from social forces because the goals and interest of the state can be different from those of social groups. In other words, though embedded in society, this kind of state is not captured by societal interests.

I find this explanation that attributes the nature of the governance (predatory vs. developmental) to state autonomy, embedded or not, to lack conceptual clarity. If by state autonomy we mean the insulation of the state from social groups or societal interests, then it cannot distinguish different types of the state, for with few exceptions, most states in today's world do interact with social groups and respond to their interests. Further, in each of these states there are parts of the state that are more insulated from social forces than others, just like there are sectors of the society whose interests are better represented by the state than others. Looking at linkages between state agencies and social groups and trying to come up with an overall picture of whether a certain state is autonomous from social groups or not, therefore, cannot bring us very far in terms of distinguishing different kinds of state. Moreover, what some people laud as virtuous linkages between the state and private interest groups may look like corruption to others.<sup>14</sup> If by state autonomy we mean a public-spirited and coherent bureaucracy in the Weberian sense (Weber 1978) which has in mind the general interest of the state or executes the general will, then we are talking about none other than the political accountability of the bureaucracy, which is a much simpler and clearer idea.

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<sup>14</sup> The East Asian developmental state paradigm was challenged after the 1997 East Asian financial crisis. The relationship between the state and banks, which was once considered to be developmental, is now thought to breed nepotism. See, for example, Joseph E. Stiglitz and Shahid Yusuf, eds., *Rethinking the East Asia Miracle* (Washington, DC: World Bank and Oxford: Oxford University Press, 2001).

I will argue that (local) states become predatory when they lack fiscal capacity and are not accountable to the people or higher political authorities. Specifically, a predatory local state emerged in rural China in the 1990s because market reforms led to a fiscal crisis of local governments in rural China, while the decentralization of political authority allowed these governments to become bloated and corrupt. Instead of using the concept of state capacity, which is broadly defined as the ability of the state “to penetrate society, regulate social relationships, extract resources, and appropriate or use resources in determined ways” (Migdal 1988, 4), this dissertation focuses on the fiscal capacity of the state, which is more concrete.<sup>15</sup>

## **Part II: What Makes Peasants Rebellious?**

### **The Emergence of Protest**

Why does social protest occur in certain times and places but not in others? Theories of collective behavior, social movements, moral economy, and rational choice have given different answers to this question. Collective behavior theorists argue that people protest when traditional bonds break down in periods of rapid social change and when they experience anomie and other psychological woes resulting from structural strains or systemic breakdowns. People protest partly to regain their identity or psychological balance (Durkheim 1951; Kornhauser 1959; Smelser 1962; Turner and Killian 1972). Theories of relative deprivation (Gurr 1971) and rising expectations (Davies 1971) reveal that people protest when their expectations, material or psychological, are not met.

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<sup>15</sup> In *State Power and Social Force: Domination and Transformation in the Third World*, eds., Joel S. Migdal, Atul Kohli, and Vivienne Shue (Cambridge: Cambridge University Press, 1994), Migdal adds another measure of state capacity, namely the ability to control symbols, 14. See also Bernstein and Lu, *Taxation Without Representation*, 16.

Marxists argue that people protest when they are exploited in the workplace,<sup>16</sup> when they experience sudden economic hardships, and when great social dislocations lead to “the breakdown of the regulatory controls implicit in the structures and routines of daily life” (Piven and Cloward 1979, 10), rendering it impossible to continue one’s normal life (Hobsbawm 1963; Lefebvre 1971). Marxists also argue that economic misery alone is not enough to produce protest. The poor and the exploited must first shake off their “false consciousness” before they can act like a class (Gramsci 1971). They must also form a class identity through cultural practices and interactions in their daily and religious lives (E.P. Thompson 1966).

The moral economy theorists (E.P. Thompson 1971; James Scott 1976) argue that peasants and workers protest when their right to subsistence, a moral obligation that binds the rulers and the wealthy, is infringed upon by either the state or the market. According to rational choice theories, people protest when the payoff of protesting is larger than of not protesting or when the free-rider problem can be overcome through selective incentives (Chong 1991; Popkin 1979; Lichbach 1994).

Within the social movement literature, the resource mobilization paradigm argues that social protest occurs when political entrepreneurs succeed in building durable organizations, recruiting cadres, and obtaining financial resources (McCarthy and Zald 1973, 1977; Jenkins and Perrow 1977). The political process model, pioneered by Eisinger (1973), Tilly (1978) and fully developed in the work of McAdam (1982) and Tarrow (1998), argues that a combination of three factors—political opportunity structure (POS), mobilizing structures (both formal and informal), and framing—is necessary for successful collective action (See also McAdam, McCarthy and Zald 1996 and McAdam, Tarrow and Tilly 1997, 2001).

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<sup>16</sup> Karl Marx and Friedrich Engels, “Manifesto of the Communist Party,” in Tucker 1978, *The Marx-Engels Reader*, 469-500.

According to McAdam, “It is the confluence of expanding political opportunities, indigenous organizational strength, and the presence of certain shared cognitions within the minority community that is held to facilitate movement emergence” (McAdam 1982, 59).

What these theories leave out, however, is the role played by social movement leadership. This is odd because contentious politics is a field where human agency is clearly relevant. This also goes against common sense and historical experiences, for what is history if it is not made by (wo)men? This neglect of the role of leadership is perhaps most glaring in the study of revolutions (Goldstone 1991; Skocpol 1979), where the role of revolutionary leaders, such as Lenin, Mao Zedong, and Castro has all but vanished from the picture. Yet, revolutions are by definition great upheavals where great leaders get the chance to shape the fate of not only their own people, but also the trajectory of world history.

Recently, some scholars on social movements have begun to analyze the role of leadership (Melucci 1996, chap. 17; Aminzade, Goldstone and Perry 2001; Barker, Johnson and Lavalette 2001; Goldstone 2001; Erickson Nepstad and Bob 2006; Morris and Staggenborg 2004). Still, compared to our understanding of other important concepts of social movements, including the political opportunity structure, mobilizing structure, and framing, the theory of protest leadership remains underdeveloped. In this dissertation, I will show that leaders played a crucial role in initiating and sustaining peasant protest in China.

McAdam notes that “all manner of movement analysts have asserted the importance of leaders or organizers in the generation of social insurgency. To do so requires not so much a particular theoretical orientation as common sense” (1982, 47). In contrast, this dissertation will develop a structural theory of peasant leadership that is grounded in the political context of China rather than common sense. I argue that

what overtaxed peasants needed to carry out sustained protest in China was a shield against state repression (Wolf 1969, 1987). Peasant leadership provided precisely this shield because peasant followers remained anonymous and thus could not be punished by the state. Hiding behind this shield of protection, it also became rational for peasants to participate in protests against heavy taxes and fees, as the cost was low (a few yuan and some time), and the reward was high (lowered burdens). In other words, the emergence of peasant leaders made it not only safe, but also rational for peasant followers to rebel.

I will also analyze the origins of protest leadership. I will show that, paradoxically, peasant leaders were produced by none other than the local party-state, the target of peasant protest. Through working for the local party-state, some peasants acquired the necessary qualities for protest leadership, including a public spirit, a good knowledge of party policies, and the ability to speak well in public. I call these qualities “political capital.” In contrast to Erickson Nepstad and Bob (2006), I argue that political capital acquired through working for the party-state was more important for the emergence of protest leadership than social capital (connections), cultural capital (education), and symbolic capital (prestige). In short, the political structure of China determined not only the unique role played by leadership in peasant protest (as a shield against oppression), but also the origins of protest leadership (within the party-state).

Of course, scholars who study contentious politics in liberal democracies argue that protest leadership emerges from within movement organizations and civil society (Staggenborg 1991; Morris and Braine 2001; Morris and Staggenborg 2004:176, 179). It is assumed that the state itself, which is usually the target of a protest, does not and cannot provide protest leadership. I will show, however, that this dichotomous and antagonistic view of state-society relations, where each entity occupies a distinct

realm, does not apply to China. The Chinese state not only controls society, but also constitutes it. Thus, even when peasants were protesting against the local party-state over heavy burdens, they were led by none other than those who worked for the party-state and had acquired political training through the party-state.

Another theoretical contribution of my dissertation is that it distinguishes protest leadership from organization. In classical political sociology (Michels 1959; Weber 1954), peasant protest literature (Wolf 1969; Migdal 1974), social movement literature (McCarthy and Zald 1973, 1977; McAdam 1982; Tarrow 1998), and organization studies (Sashkin and Rosenbach 1993), leadership and organization are part and parcel of the same phenomenon. Leaders are studied in the context of organizations. To put it another way, protest leaders are leaders of movement organizations. They are produced by organizations and they build organizations. This may well be the case in liberal democratic societies where it is relatively easy for political entrepreneurs to build movement organizations. However, in authoritarian political systems like China, social protest very often has informal leaders, yet no formal organizations. Distinguishing the two empirically and conceptually can help us better grasp the nature of social protest in China and in many other countries with a similar political structure.

In emphasizing the importance of leadership, my work connects to the older, historically-focused research on peasant protest and revolutions by scholars like Lucien Bianco (1975, 2001), Daniel Field (1976), Eric Hobsbawm (1959, 1973, 1974), Philip Longworth (1975), Teodor Shanin (1966), Eric Wolf (1969), and John Womack (1971). However, we differ on one important point: the origins of peasant leadership. Scholars in the peasant protest tradition argue that radical intellectuals are needed to organize peasants and to arm them with the right theory because peasants, left on their own, are too parochial, shortsighted, backward, disorganized, and powerless to mount

a national movement and seize state power (Shanin 1966; Wolf 1969, 1987; Hobsbawm 1973). While this may be true about the peasant revolutions and peasant wars that most of these scholars study, I argue that leaders of local peasant protests emerge from among the peasants themselves. Specifically, the leaders of peasant protest in China are “peasant cadres” and “peasant intellectuals,” who are better educated than an average Chinese peasant and have significant experience working for the local party-state, but are not college-educated political activists. This dissertation makes a case that in reforming China, political leadership is often assumed by extraordinary individuals among groups whose economic interests are hurt during the process, rather than by intellectuals who are eager to become part of the power establishment.

### **Organization and Network**

There is a longstanding debate in the social movement literature on the importance of organization in mobilizing and sustaining protest. Beginning with Marx (1978), many scholars have argued that social movements need formal organizations in order to succeed. Marx (1978) compares the French peasantry to a sack of potatoes, all miserable on their own but unable to work together toward a common political goal because they are not organized.<sup>17</sup> Lenin, with both his words and actions, argues that a disciplined and centralized party is the answer to the question of the backwardness of the Russian peasants and the working class. This kind of party is needed to raise the revolutionary consciousness of Russian workers and peasants. In other words, the party will carry out the revolution on their behalf.<sup>18</sup> Mao Zedong, an avid student of

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<sup>17</sup> Karl Marx, “The Eighteenth Brumaire of Louis Bonaparte,” in Tucker 1978, 515-516.

<sup>18</sup> V. I. Lenin, *What Is To Be Done: Burning Questions of Our Movement* (Moscow: Foreign Languages Publishing House, 1952).

the Russian October Revolution, a sharp observer of the Chinese peasants, argues that building centralized, disciplined, and hierarchical party and military organizations is crucial in turning disorganized and selfish peasants into a formidable weapon of the revolution, without whose participation the revolution cannot be won.<sup>19</sup> More recently, Hobsbawm (1959) argues that social bandits, urban rioters, and impoverished peasants are doomed to remain “primitive rebels,” without a realistic chance of overthrowing the existing social order because they lack leadership and organization.

Social movement theorists, both in the resource mobilization and the political process traditions, have argued that both formal organizations and informal networks are important in facilitating social protest, that there is a need to move beyond informal networks and establish a formal movement organization, and that this formal movement organization is more effective if it builds upon existing networks.<sup>20</sup> While movements often develop out of pre-existing networks and organizations, such as the southern black churches during the civil rights movement (Morris 1984), to sustain a social movement and for it to grow, a formal movement organization has to be built. According to McAdam, McCarthy and Zald, “For the movement to survive, insurgents must be able to create a more enduring organizational structure to sustain collective

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<sup>19</sup> See, for example, Mao Zedong, “Jinggangshan de douzheng” [Struggles in the Jinggang Mountain], 57-84; “Zhongguo geming de zhanlue wenti” [The question of strategy of the Chinese Revolution], 170-224; “Zhongguo geming he zhongguo gongchandang” [The Chinese Revolution and the Chinese Communist Party], 621-656 in *Mao Zedong xuanji* [Selected works of Mao Zedong], volumes 1-4 (Beijing: Renmin chubanshe, 1991).

<sup>20</sup> For useful summaries and reviews of the literature on the role of organizations and networks in social movements, see Sidney Tarrow, *Power in Movement*, 2<sup>nd</sup> ed. (Cambridge: Cambridge University Press, 1998), chap. 8; Doug McAdam, John D. McCarthy, and Mayer N. Zald, “Introduction: Opportunities, Mobilizing Structures, and Framing Processes: Toward a Synthetic, Comparative Perspective on Social Movements,” and John D. McCarthy, “Constraints and Opportunities in Adopting, Adapting, and Inventing,” in *Comparative Perspectives on Social Movements: Political Opportunities, Mobilizing Structures, and Cultural Framings*, ed. Doug McAdam, John D. McCarthy, and Mayer N. Zald (Cambridge: Cambridge University Press, 1996); Elisabeth S. Clemens and Debra C. Minkoff, “Beyond the Iron Law: Rethinking the Place of Organizations in Social Movement Research,” and Mario Diani, “Networks and Participation,” in *The Blackwell Companion to Social Movements*, ed. David A. Snow, Sarah A. Soule and Hanspeter Kriesi (Malden, MA: Blackwell Publishing, 2004).

action. Efforts to do so usually entail the creation of the kinds of formal social movement organizations (SMOs) stressed as important by resource-mobilization theorists” (1996, 13).

Other scholars, however, argue that organization diminishes the disruptive power of social movements. Robert Michels (1959) argues that large organizations, such as the German Socialist Democratic Party, have a natural tendency to breed oligarchies: leaders of the party who become part of the ruling class, subverting the revolutionary goal for which the party was originally established. Bureaucratization of the socialist movement through establishing a large party organization ultimately harms or even sabotages the movement, because the survival and growth of the party becomes an end in itself, rather than a tool to achieve the liberation of the working class. Following exactly the same line of argument, Piven and Cloward (1979) argue that poor people’s disruptive power is diminished and their militancy dampened when they establish formal organizations with a mass membership. Their disruptive power is the greatest when poor people spontaneously erupt into collective action “in response to momentous changes in the institutional order” (36). Similarly, Edelman (1971) and James Scott (1977)<sup>21</sup> emphasize the importance of spontaneity in social protest.

This dissertation argues that organization facilitates rather than diminishes poor people’s disruptive power. Organization is essential for effective peasant resistance. Among the three positive cases of peasant protest against heavy taxation studied in this dissertation, the most organized one was also the most militant and the most successful. The least organized one was the least militant and the least successful.

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<sup>21</sup> In his article *Hegemony and the Peasantry* (1977, 296), James Scott writes that “In fact, one would expect that the more organized, the more hierarchical, and the more institutionalized a peasant or labor movement becomes—following Mosca, Michels, and Edelman—the more likely it will become woven into the established tapestry of power.”

Further, this dissertation argues that without formal organizations, peasant protest cannot diffuse to a large area. All three cases of peasant protest, no matter how militant and long-lasting, remained township-bound, failing to make coalitions with peasants protesting right next door. Within the boundary of a township, peasant leaders, relying on dense rural networks, mobilized and sustained protest without building any formal movement organizations. These protests thus lasted several years without any formal organizations. Informal networks, however, cannot propel a protest to spread beyond a small area, which requires a degree of coordination that can only be provided by formal organizations. Protesting peasants in Hunan in the 1990s, however, only succeeded in establishing a loose mobilizing structure based on dense informal networks. As a result, their protests were local.

Still, informal networks can easily enable a riot to diffuse to a huge area. All three cases of peasant protest, though township-bound, turned into huge peasant riots covering several townships and even counties. For a riot to spread, little coordination is required (Piven and Cloward 1992; Piven 2006). Information that travels fast in addition to rage, rumors, and a well-known figure is enough to propel a riot to spread from a village to a very large area (Rude 1959, 1964; Lefebvre 1973; Bohstedt and Williams 1988).

Formal organizations and informal networks, therefore, play different roles in the diffusion of peasant protest. This argument differs from the literature on protest diffusion in two aspects. First, many existing works do not distinguish the different roles played by informal networks and formal organizations in the diffusion of protest. They treat the diffusion process as one in which both informal networks and formal organization play a role. They argue that both informal networks and formal

organizations can enable a protest to diffuse to a large area,<sup>22</sup> as we can see from the following statement on the diffusion of protest, which does not even distinguish organizations and networks: “The greater the number and variety of organizations in a collectivity, and the higher the participation of members in this network, the more rapidly and enduringly does mobilization into conflict group occur” (Oberschall, 1973, 125).

Second, some scholars, such as James Scott, specifically argue that peasant protest can diffuse to a large area relying on informal networks alone. According to Scott (1977, 294),

In addition to this dense network of supravillage ties, there are a variety of religious linkages (pilgrimages, sects, itinerant healers and shamans, lower clergy) and kinship ties, quite apart from hegemonic institutions, that connect villagers to the wider world. Informal ties such as these provide the social grid for peasant movements that frequently span entire districts or even a whole region.

This confusion or collapsing of the role of informal networks and formal organizations in the diffusion of protest is perhaps a result of scholars studying cases of protest or movements where both informal networks and formal organizations exist and both indeed play a role in protest diffusion. As a result, they are not able to separate the roles played by the two. The case of China, where social protest can rely on informal networks but not formal organizations, thus provides us with a controlled environment to study the role of informal networks in protest diffusion. This case cautions us against attributing too much importance to informal networks. A protest that relies on informal networks alone is unlikely to grow to a large scale.

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<sup>22</sup> See, for example, the review essay by Sarah A. Soule, “Diffusion Processes within and across Movements,” in Snow, Soule, and Kriesi, *The Blackwell Companion to Social Movements*, 294-310.

## Interpretative Framework

Recent social movement literature has also emphasized the importance of framing in explaining the emergence, the trajectory, and the outcomes of social protest. According to Snow and Benford (1992, 137), a collective action frame

refers to an interpretive schemata that simplifies and condenses the “world out there” by selectively punctuating and encoding objects, situations, events, experiences, and sequences of actions within one’s present or past environment... Collective action frames not only perform this focusing and punctuating role; they also function simultaneously as modes of attribution and articulation.

Similarly, McAdam talks about “cognitive liberation” (1982, 48-51) as a precondition for social protest, while Piven and Cloward argue that the poor must shake off their self-blame in order to challenge political and economic authority (1979, 7). Marxists, of course, have explained the failure of workers to carry out proletarian revolutions as the product of their “false consciousness.” Behind all of these arguments is the simple idea that people are thinking beings and that their actions are guided by certain kinds of thoughts.

Students of contentious politics in China have observed that social groups often use state policies, laws and regulations as well as more abstract rights proclaimed in the constitution and policy lines (*zhengce luxian*) to justify their claims on the state. By holding the state up to its own policies, standards, or promises, protesting social groups have discovered perhaps the most important weapon in their protest. Kevin O’Brien and Lianjiang Li call this “rightful resistance” (O’Brien 1996; O’Brien and Li 2006) or “policy-based resistance” (O’Brien and Li 1995). They have developed these two concepts by studying rural collective action in post-reform China. They argue that peasants use official policy, legal documents, and official values, both strategically and ideationally, to legitimize both peaceful forms of resistance, such as petitioning higher authorities, and violent protests, such as direct actions (O’Brien and

Li 2006). The success of rightful resistance depends on the cleavages between central and local states, i.e., the support that peasants receive from higher authorities.

Other than policy-based resistance, protesting workers and peasants in China have made moral economy claims on the state. The moral economy argument was first developed by E.P. Thompson to explain food riots among the English working class in the 18<sup>th</sup> century (1971). James Scott applied the argument to peasant rebellions in Southeast Asia (Scott 1976). Lately, the concept has been used by scholars to explain labor and peasant protest in China (Perry 1999, 2008; Chen Feng 2000, 2003; Hurst and O'Brien 2002). According to this line of thought, workers and peasants believe that they have the right to subsistence: enough food to feed themselves and their families and a roof above their heads. When this right is encroached upon by either the state or the development of capitalism, people will rebel and seek redress.

A third theme in the literature on protest framing in China is the legacy of the Maoist era. Elizabeth Perry (1999, 2002), Elizabeth Perry and Mark Selden (2003, introduction), Ching Kwan Lee (2000, 2002), William Hurst and Kevin O'Brien (2002) argue that nostalgia for state socialism and collective memories of the Maoist era have provided solidarity and propelled workers and peasants to protest. Scholars disagree, however, on the extent to which workers and peasants use state-socialist symbols, values and myths as a strategic weapon. Elizabeth Perry argues that workers and peasants openly use class analysis and Maoist slogans in their protest. By contrast, Lee (2000) finds that, while workers analyze society in class terms in private, they refrain from using class-based language in their public discourse during their protest (225).

Contrary to the idea of policy-based or rightful resistance, however, Andrew Mertha (2008) argues that social protest is most successful when it challenges official frames. Specifically, he finds that protest is most likely to bring about changes in

government policy when policy entrepreneurs, including disgruntled officials, NGOs and the media, construct an alternative to the official frame of economic development, social stability, and political unity.<sup>23</sup>

Finally, Patricia Thornton (2002) argues that in an authoritarian system such as China, often people cannot challenge state power openly. Thus instead of being openly defiant, individuals and social groups express their discontent through “ironic, ambiguous, or metonymic” frames, expressed in doorway hangings and the “body cultivation techniques” used by Qigong groups and by Falun Gong members. These expressions bring to light some “hidden transcripts” (Scott 1990) of resistance to dominant discourses and practices, but stop short of directly challenging the state’s power.

In this dissertation, I argue that peasant protest against heavy burdens in the 1990s was indeed policy-based resistance. In all three cases of protest studied in the dissertation, the state provided the protest frame for the peasants. All protests started after peasant leaders acquired policy documents on lowering peasant burdens and decided to popularize them among villagers. Peasants framed their protest activities as a way of helping the central government implement its rural policies. These policy documents also shaped the goals of the protests. As a result, protesting peasants in different places made two identical demands: to lower peasant burdens and to fight corruption. Unlike Perry, O’Brien and Li, however, I also show that peasants were most successful in their protest when they were able to add their own interpretations to the official frame.<sup>24</sup> They were least successful when they followed the official frame

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<sup>23</sup> See Andrew Mertha, *China’s Water Warriors: Citizen Action and Policy Change* (Ithaca, NY: Cornell University Press, 2008), chaps. 1 and 2.

<sup>24</sup> Success was measured by the amount by which taxes and fees were lowered after peasant protests.

rigidly, particularly if they followed the official rules on the right procedures to advance their claims on the state.

In adjusting and reinterpreting the official frame, some peasant leaders advanced a rebellious moral economy argument. While state policy makers admitted that peasant burdens were too heavy and that they should be lowered, they obviously never said that peasants had the right to rebel. Some peasant leaders, however, made the blunt argument that when peasants did not have rice to eat, they would get organized and rebel. This right to subsistence was not given by the state. Rather, it was a natural right that the state should have respected. Some peasants resorted to the revolutionary Maoist languages and the peasants' historical right to rebel against rapacious and unjust rulers to justify their protest activities. For example, a leader of the Qizong protest, the most militant one I studied, put it this way:

Chairman Mao has said, "Wherever there is exploitation and oppression, there is rebellion."... In general, we peasants have avoided fighting with officials (*min bu yu guan dou*). But sometimes officials oppressed us so much that we became rebellious (*guan bi min fan*).<sup>25</sup>

I also show that peasant leaders who had a higher level of education and were not communist party members were more likely to reinterpret official frames and to organize militant protests than less-educated leaders and party members. Better-educated peasants felt more intellectually confident to challenge official interpretations of rural problems. Non-party members felt less constrained by state laws and party rules on how peasants should approach higher authorities with their grievances. As a result, these leaders favored combining officially-approved tactics, e.g., writing petitions, with illegal activities, such as mass rallies, occupation of government buildings, and, in some cases, physical assaults on state and party

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<sup>25</sup> Interviews with peasant protest leaders, their relatives, and ordinary peasants in Qizong Township, Qinggang County, summer 2004.

officials, or even kidnapping local cadres. In general, protests that used illegal and violent tactics were more likely to succeed in lowering peasant burdens, even if they were at first met by equally violent state repression. This occurred because provincial and central authorities were primarily concerned about maintaining political stability in rural China, even at the cost of economic concessions.

To summarize, this dissertation makes several theoretical contributions to our understanding of contentious politics. First, it advances a structural theory of peasant protest leadership. It argues that the leadership of peasant protest against heavy taxation in China was produced from within rather than from without the party-state, because the party-state was the only arena where peasants could gain the political capital needed to lead a protest. Leadership was crucial in the emergence of peasant protest in China because it provided a shield against state repression, which made it relatively safe and, hence, rational for peasants to rebel.

Second, I argue that informal networks and formal organizations play different roles in the diffusion of peasant protest. Without formal organizations, dense rural networks alone cannot propel a peasant protest to diffuse to a large area. In all three cases that I studied, peasant leaders could mobilize and sustain protest against heavy taxation without building formal organizations within the boundary of a township. However, the lack of formal organization severely limited the diffusion of protest. Thus, peasants in neighboring townships rarely cooperated, even when they used the same central documents and voiced identical grievances against the state.

Finally, I argue that the way peasants framed their grievances affected the militancy and likely success of peasant protest. Peasants used central documents on lowering peasant burdens to legitimate their demands on the local government. However, some protests went further and argued that peasants had the right to rebel if the state violated their right to subsistence. In doing so, they challenged the state's

interpretive framework, which focused on economic growth and political stability. Generally, such protests were more militant and more successful than those that stuck rigidly to the official frame.

### **Part III: An Interactive Model of the Chinese Political Economy**

In addition to studying peasant protest in China, my dissertation also shows that peasant protest had a significant impact on the central government's rural policies. Responding to the widespread peasant protests and riots, the crumbled rural public finance system, and undersupplied public goods in rural China, the central government started to implement the rural tax-for-fee reform (2002-2006). The goal of the reform was to both lower peasant burdens and shore up local government in rural China. The first stage of the reform (2002-2003) collapsed all taxes and fees into one agricultural tax, the rate of which doubled. The second stage of the reform (2004-2006) first lowered and then abolished the agricultural tax, an ancient tax that Chinese peasants had had to pay for more than 2,600 years. It also provided peasants with direct agricultural subsidies for the first time in China's history. The reform also made it necessary for the local government to reform its fiscal system and institutions.

Since 2006, the central government has implemented a new national rural policy called "constructing the new socialist countryside," an ambitious program that promises to change what one local cadre called "the natural way of development in the countryside" (*nongcun de ziran jinhua shi de cunji fanzhan guocheng*), to provide public goods in rural areas, and to reduce the urban-rural divide in income and economic opportunity.<sup>26</sup> Specifically, it promises to tilt state investment toward the

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<sup>26</sup> Interviews with cadres in Dongxingyuan Town, Yuanxiang County, Hunan Province, October 2002. The "natural way of development in the countryside" means economic backwardness and under-development.

countryside and gives local governments money to improve the infrastructure, e.g., to build roads, and to provide rural public goods, e.g., rural basic education and rural health care.<sup>27</sup>

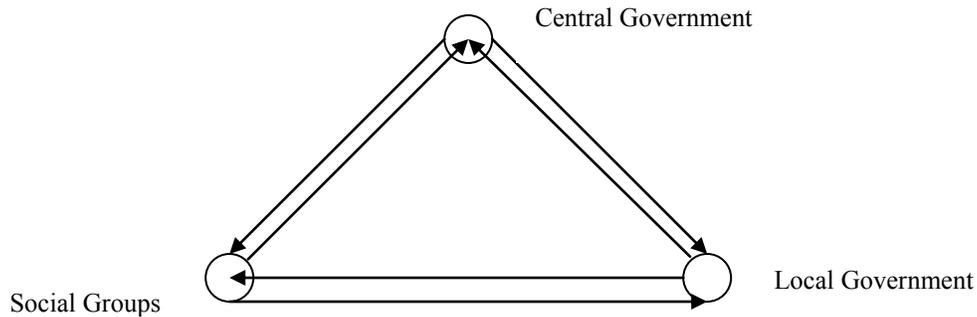
The fact that the Chinese government has successfully tackled the problem of peasant burdens shows that China's political system, though authoritarian, is not immune to social pressures. Indeed, it is quite willing to accommodate social demands, particularly when these demands are of an economic rather than political nature (Perry 2002: introduction; Perry and Seldon 2003: introduction; Shue 2004; O'Brien 2002). Moreover, the fact that the local government has to carry out fiscal and institutional reforms demonstrates that a combination of social pressures from below and political pressures from above can transform the local state. The transformation of the local state will also affect the central government because the two are not insulated from each other.

From my study of the emergence of the local predatory state and its transformation as a result of peasant resistance in Hunan, we can derive an interactive model of the contemporary Chinese political economy.<sup>28</sup> The best way to conceptualize the Chinese political economy is to use the state-in-society approach which emphasizes that state power and social forces are mutually transforming and that the state should be disaggregated (Migdal, Kohli, and Shue 1994; Migdal 2001). There are three players in this model, including social groups, the central government, and the local government. This model is interactive because the three players mutually affect one another (see figure I.2).

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<sup>27</sup> See chapter 7 of this dissertation for details.

<sup>28</sup> I use the term "Chinese political economy" rather than "Chinese politics" because the model does not apply to the relationship between the state and dissident groups, such as religious sects, human rights groups, and democratic rights groups. In these cases, a more confrontational state vs. society approach may be more appropriate.



**Figure I.2: An Interactive Model of the Chinese Political Economy**

For various reasons, the local government puts pressure on social groups like overtaxing them or withholding benefits. Social groups respond with “exit,” e.g., by migrating to cities, bargaining, or everyday forms of resistance, e.g., foot-dragging. They also respond through “voice”: riots and protests, which usually target the local government, and petitions, which are often directed at the central government. In rare cases, protests directly target the central government. The various responses of the social groups, ranging from exit to open protest, undermine the fiscal base of the local government and the political order at the local level. As a result, the local government, just like protesting social groups, also appeals to the central government. When the issue at hand involves many people and when it challenges the political stability of the country, the central government confronts it. Usually, it accommodates some, but not all, demands of the protesting groups. These new policies then make it necessary for the local government to carry out fiscal and institutional reforms, which then start a new cycle of this interactive process.

Through this interactive process, all three actors are transformed. In the case of rural China, peasant burdens have been lowered. Peasants also receive some subsidies and public goods, e.g., more money for infrastructure, education, and health care. For

the first time since 1949, peasants can legitimately make fiscal demands on both the central and local government. The transformation of the local government is also profound. No matter how tenacious the local bureaucracy is, it is now implementing various institutional and fiscal reforms to adjust to the new situation after the abolition of the agricultural tax and the need to construct the “new socialist countryside.”<sup>29</sup> The central government shoulders more fiscal responsibilities than before the reform and is trying to satisfy both actors in rural China (peasants and the local government). To do that, it has to maintain a steady if still rather limited flow of resources from urban to rural areas.

I argue that major policy changes and institutional reforms in China are best understood in the context of this model. In some way, we can think of the triangle formed among social groups, the central government, and the local government as a balance of power. Though social groups are the weakest part of this balance, they are not completely powerless. The political system is flexible and the state does respond to social forces. In this process, both the state and social forces are changed. The model also demonstrates that the central government ultimately shares the political risks and fiscal responsibilities of the local government.

This model differs from the theory of “fragmented authoritarianism” (Lieberthal and Oksenberg 1988; Lieberthal and Lampton 1992), which only studies the relationships among different government agencies and layers of bureaucracy.<sup>30</sup> It is also different from the theory of “adaptive informal institutions” (Tsai 2007), which argues that institutional transformations in China take place through daily interactions among businessmen and local cadres, in which the local cadres tolerate or even

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<sup>29</sup> See chapter 7 for details.

<sup>30</sup> In *China's Water Warriors*, Mertha updates this model to demonstrate that the Chinese polity has become more pluralized. The updated model includes social actors, such as NGOs and the media.

encourage the informal coping strategies of private entrepreneurs (chaps. 1-2). Instead, I argue that major policy changes and institutional transformations occur in China when the central government responds to competing pressures from disaffected social groups and the local government in order to maintain social and political stability.

### **Political Economy and Peasant Protest**

The most important theoretical and empirical contribution of my dissertation is that it analyzes both the Chinese political economy and social protest in China, two research programs that have developed along different tracks in the study of contemporary Chinese politics.<sup>31</sup> Along with Migdal, Kohli and Shue (1994) and, outside the Chinese context, Tarrow (1996), I argue that only by studying the interaction between the local government (state) and peasant protest (society) can we understand Chinese politics in the age of market reform, when the state faces challenges from the great social forces unleashed by market reforms. A state-centered or society-centered approach alone would miss the other half of the picture. Specifically, a society-centered approach would present an overly antagonistic view of state-society relations whereas, in fact, the Chinese state often accommodates social demands. On the other hand, a state-centered approach would lose sight of the fact that social protest is a major source of institutional transformation in contemporary China.

My dissertation thus differs from the vast body of literature on Chinese economic reform and social protest by linking the fiscal crisis and the undersupply of public goods in rural China with questions of political legitimacy, political authority,

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<sup>31</sup> However, In *Taxation Without Representation*, Bernstein and Lu analyze both the local bureaucracy and peasant protests against heavy taxation. In *Capitalism Without Democracy: The Private Sector in Contemporary China* (Ithaca, NY: Cornell University Press, 2007), Kellee Tsai discusses collective action by private businessmen, 136-144. Finally, in *China's Water Warriors*, Mertha discusses government policy of promoting hydraulic power and public opposition to it.

and political stability. Most scholars who study social protest in China are primarily interested in the social movements themselves. (For representative works in this literature, see O'Brien 2002; Hurst and O'Brien 2002; Perry and Seldon 2003; Perry and Goldman 2007; Blecher 2002; Cai 2002; Chen Feng 2000 and 2003; Lee 1998, 2000, and 2002, and Yu 2003, 2004.) The state, local or central, is usually mentioned very briefly as part of the general background for social protest. As a result, they do not explore the fiscal and political crises that give rise to social protest in the first place.<sup>32</sup> Neither do they pay enough attention to state responses to social protest (social movement outcomes).

Scholars who study the Chinese local state, on the other hand, usually discuss whether or not the local state can play a positive role in the economy. For example, they debate whether the Chinese local state is developmental (Shue and Blecher 1996, 2001; Unger and Chan, 1999), entrepreneurial (Duckett 1998), predatory (Lu 2000; Bernstein and Lu 2003), clientelist (Pearson 1997; Wank 1995), or market-oriented

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<sup>32</sup> See Kevin O'Brien, "Collective Action in the Chinese Countryside," *The China Journal*, no. 48 (July 2002): 139-154 for a summary of the literature on peasant protest in China. Among Chinese scholars, Yu Jianrong has distinguished himself by studying peasant protest in Hunan. For examples of this work, see Yu Jianrong, "Nongmin youzuzhi kangzheng jiqi zhengzhi fengxian" [Organized peasant resistance and its political risks], *Zhanlue yu guanli* [Strategy and management], 2003, no. 3:1-16; "Nongcun hei e shili he jiceng zhengquan tuihua" [The Mafia in the countryside and the decay of the local government], *Zhanlue yu guanli* [Strategy and management], 2003, no. 5:1-14 and *Yuecun zhengzhi* [Politics of Yue Village] (Beijing: Shangwu yinshuguan, 2004). See also Elizabeth J. Perry and Mark Seldon, ed., *Chinese Society: Change, Conflict and Resistance*, 2<sup>nd</sup> ed. (London: Routledge Curzon, 2003) and Elizabeth J. Perry and Merle Goldman, ed., *Grassroots Political Reform in Contemporary China* (Cambridge, MA: Harvard University Press, 2007) for a collection of articles on varieties of social protest in contemporary China. For labor protest, see Marc Blecher, "Hegemony and Workers' Politics in China," *The China Quarterly*, no. 170 (June 2002): 283-303; Yongshun Cai, "The Resistance of Chinese Laid-off Workers in the Reform Period," *The China Quarterly*, no. 170 (June 2002): 327-344; Feng Chen, "Subsistence Crises, Managerial Corruption and Labor Protests in China," *The China Journal*, no. 44 (July 2000): 41-63 and "Industrial Restructuring and Workers' Resistance in China," *Modern China* 29, no. 2 (April 2003): 237-262; Ching Kwan Lee, "The 'Revenge of History': Collective Memories and Labor Protests in Northeastern China," *Ethnography* 1, no. 2 (2002): 217-237; Ching Kwan Lee, "From the Specter of Mao to the Spirit of the Law: Labor Insurgency in China," *Theory and Society* 31, no. 2 (April 2002): 189-228; and William Hurst and Kevin O'Brien, "China's Contentious Pensioners," *The China Quarterly*, no. 170 (June 2002): 345-60.

socialist (Lin, 1995).<sup>33</sup> They rarely study the ways in which social protest influences the local state.

### **Definitions**

I will now briefly explain what I mean by local government and rural China, the two key terms in my dissertation. The local government includes all three levels of rural government, including a village self-governance committee, a township/town government, and a county government. Rural China refers to areas governed by the local government. In other words, with the exceptions specified below, all counties, townships/towns, and villages are considered to be rural.

Of course, due to rapid economic growth, some parts of the aforementioned areas have become quite urban and industrialized. Thus, my definition of rural China excludes areas governed by the local government that have been developing rapidly and have become everything but rural. These rapidly developing areas are concentrated in coastal regions, particularly along the Pearl River Delta near cities such as Guangzhou and Dongguan and in the Yangtze River Delta near Shanghai and Nanjing.

I conducted my dissertation fieldwork in Hunan province, a large grain-producing province in Central China. Grain-producing provinces in Central China are the prototype of rural China, where the problems associated with the emergence of the local predatory state, including widespread peasant protest, were most acute. But these problems were not limited to Central China. They affected all parts of rural China, including Western China, called “subsistence China” and many areas of coastal China, called “industrial rural China” by Bernstein and Lu (2003, 8). Obviously the gravity of

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<sup>33</sup> For references on the debate, see fn. 1 in Marc Blecher and Vivienne Shue, *Tethered Deer: Government and Economy in a Chinese County* (Stanford, California: Stanford University Press, 1996), 223 and fn. 1 in Marc Blecher and Vivienne Shue, “Into Leather: State-Led Development and the Private Sector in Xinji,” *The China Quarterly*, no. 166 (June 2001): 368-393.

the problems varied across the three different regions. However, the difference was a matter of degree, not kind. Thus when the agricultural tax was first lowered and then abolished as a result of the rural tax-for-fee reform, it was a national phenomenon, rather than a regional one.<sup>34</sup>

## **Data, Methodology, and Perspectives**

### **Why Hunan?**

My dissertation is based on detailed ethnographic fieldwork in Hunan province. I chose Hunan as the site of my fieldwork for two reasons. First, it is a typical agrarian province of China. If one understands rural problems in Hunan, one can derive a broad picture of much of rural China. Moreover, Hunan has a long tradition of peasant protest. It was one of the birthplaces of rural Communism in China, as we know from Mao Zedong's famous report on peasant movement in Hunan (1927). Second, I grew up in Hunan and still have close ties to it. Most of my family members, relatives, and friends live there. To do fieldwork in China, it is best if one can combine an introductory letter from Beijing or other important metropolitan cities and local connections. My experience of growing up in Hunan and my connections there not only helped me tremendously with my fieldwork, but also gave me an intuitive understanding of the subject of my study.

There are benefits and costs associated with this research strategy of returning to where one grew up to do fieldwork. The biggest benefit is that it made my field research possible. The emphasis on *guanxi* (connections) that permeates all aspects of Chinese life pose a tremendous hurdle for anyone who wants to carry out fieldwork in China, particularly so for a young scholar. My local connections in Hunan helped me

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<sup>34</sup> See chapter 7 for details.

overcome some of the hurdles. Returning to where I grew up and listening carefully to what peasants, workers, and local cadres said to me and doing this consistently for a long time also enabled me to have a reality check on my research questions. Through these long and open-ended conversations, I was able to narrow down my research topics and then gradually but persistently collect data on local public finance, the local bureaucracy, and peasant protest. The total immersion in local society helped me come up with semi-structured interview questions. Though I could have achieved similar results had I gone to another province where I did not have as many connections, the fact that I grew up in Hunan simply made the task so much easier.

There are, of course, costs to this approach. Potentially, the most serious problem is lack of analytical distance since I was studying my native province. Ethnographic research may also be biased if it is based on a small and unrepresentative sample of a large universe (rural China). To overcome these problems, my fieldwork covered a large geographical area, ranging from northern to southern Hunan, and all three of Hunan's topographies, including lake areas, hilly areas, and mountainous areas. I interviewed several hundred peasants and more than one hundred local government cadres at all administrative levels in the province, from the village to the province. Furthermore, the fieldwork was very thorough. If I repeatedly heard the same story about peasant burdens, no matter where I went in Hunan, then it was very likely that the question of peasant burdens was indeed a universal one in the province. Similarly, no matter which township I visited, I heard an almost identical story about its fiscal crisis, its debts, its large size, and the difficulties of collecting grain from peasants and providing public goods in rural China.

I found it quite easy to establish contact with peasants, whether or not I was introduced by someone they knew. Most peasants I interviewed were happy that somebody bothered to listen to them about their burdens. They patiently explained to

me the types of taxes and fees to me, as much as they could. They explained to me why they felt that the taxes and fees they had to pay to the local government were unreasonable. They were also adamant that they had the right to protest against an unjust and corrupt local government. It was a rather different story with local cadres. They were often only willing to talk to me and share information when I was either introduced by a friend or another cadre or when I carried my official letter of introduction from a university or research institute in Beijing. Often they would only communicate with me if I was both introduced by a friend and carried an official letter of introduction.

However, quite a few of the most informative interviews I had with local cadres required no local connections. The official letter of introduction from Qinghua University was sufficient. For example, the interview with a vice director of the Finance Bureau of Huaizhou City (June 2003) lasted for several hours. He answered all my questions and basically taught me a lot about local politics in China. I was extremely lucky because shortly before my request for an interview, he had given an interview to a researcher from the powerful Policy Research Institute of the Central Committee of CCP (*zhong yang zhengce yanjiushi*) on similar topics: the rural tax-for-fee reform and the tax-sharing system. The Director of the Bureau of Economic Management of Fenglin District also spent hours with me, though I had nothing to show him other than a letter from Qinghua University. He was not supposed to meet anybody from Beijing at all, because the interview occurred at the height of the SARS scare. Still, he spent hours with me, simply because he admired students and scholars from Qinghua University. It was he who told me, “To write a good thesis, you must talk to peasants directly. You must talk to them often” (*duo zhao nongmin tan*). There were many other examples like these.

In some cases, however, local connections were quite important, particularly when I had to deal with township cadres. Many of these cadres secretly guarded their tables and statistics on taxes and fees collected from peasants and the size of their debts and refused to explain anything about the workings of the township bureaucracy unless I was introduced by a friend or another cadre. The official letters worked least well with this layer of the bureaucracy. For example, the party secretary of Dongxingyuan Town, which featured prominently in my research, refused to receive me even after I showed him the letter from Qinghua, which was already stamped by the Department of Finance of Hunan Province. He would only talk to me if I got the letter stamped again by the office of the county government. It was my relatives who had connections with cadres in the town and a young cadre who found my research interesting who helped me out. Overall, trying to make connections with the local bureaucracy was simply exhausting. To get as complete a picture as possible about the local bureaucracy, I used my local connections to their fullest.<sup>35</sup>

### **Confronting My Own Biases**

Of course, I am far more sympathetic with overtaxed peasants than with the oversized local government and underpaid local cadres in China. By studying cases of peasant protest in great detail, by emphasizing the role of public-spirited and charismatic “peasant intellectuals” in leading these protests, and by documenting the great sacrifices they made for their fellow peasants, it may appear that I identify with peasants against the local government. However, I do not idealize the peasants, nor is the local government the villain of my piece. Peasants could be as brutal as local

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<sup>35</sup> To really open the black box of the local bureaucracy, particularly the township government, it would be best if one could work for the local government for some time. Another way would be to get strong institutional backing from a research institute or university affiliated with the government either at the central or provincial level. Both approaches are out of my reach at this stage.

cadres. I document several instances where peasants physically attacked government officials. They could be wrong. For example, they thought that corruption was the only reason why their burdens were so heavy. This was not the case. They could also be extremely myopic. Finally, most peasants clearly acted in a calculating and self-interested (even if shortsighted) manner. As I show in chapter 4, many peasants refused to pay taxes and fees not because they were poor, but rather because they figured that they could get away with not paying once the local government became weakened. This created the huge problem of rear taxes and fees in the countryside, which contributed to the crisis of local public finance after 1998.

In my analysis of the competing claims of peasants and cadres, I try to be as objective as possible. I explain not only why peasants protested against high taxes, but also why the local government increased taxes in the first place. I care not only about the peasants' right to subsistence, but also about the quality of the local government and political order in rural China. In short, I study both social protest and state power.

## **Fieldwork**

My fieldwork lasted from 2001 to 2005 and consisted of three trips. The first trip was slow and long and lasted from March 2001 to June 2003. When I went to the field, I did not have a fixed set of hypotheses derived from reading scholarly work on China that I intended to test in the field. I did have some broad ideas about what I was interested in. Overall, I was interested in China's transition from a socialist to a market economy. I was interested in both urban and rural China and in both social and religious protest in contemporary China. I was in search of a grand theory that could explain the relationship between economic transformations and social and religious protest in contemporary China.

I decided to listen carefully to various people, both in the cities and in the countryside, and let ideas emerge from this “poking and soaking” (Richard Fenno, cited in Putnam 1993, 12). No matter where I went in rural Hunan, and whether I talked to peasants or local government cadres, there was one issue that always came up: exorbitant burdens (from the peasants’ point of view) or the difficulty of collecting grain and money from the peasants (from the cadres’ point of view). Not one peasant or rural cadre mentioned the words “village elections,” not even once, which was then the hottest topic among scholars working on rural China in the United States.

It was then that I decided to nail down my topic on the question of peasant burdens and local government in rural China. I began to trace the origins of all kinds of taxes and fees collected from peasants and how they were distributed among different layers of the local government once they were collected. I spent a significant amount of time trying to understand the distribution of fiscal resources and fiscal responsibilities among counties, townships, and villages. Collecting data on local government finances and trying to understand who pays for what and why at the local level was the toughest part of the dissertation fieldwork, largely because local cadres were not always forthcoming with the information they had. All the data on the local government bureaucracy and finance were painstakingly collected during my three trips which lasted for more than two years.

Collecting data on peasant protest was in some ways easier: once I was able to locate the protest centers, most peasants were quite willing to talk about why they had participated in protests, and how. However, interviewing rebel leaders or their relatives involved some risk. I was once deported from a township where I was interviewing a large crowd of peasants about their protests. But I secretly returned a few days later to complete the interview.

The first stage of the fieldwork (2001-2003) was carried out in northern and central Hunan. In summer 2004, I returned to Hunan and did follow-up interviews for about three weeks. This fieldtrip was very focused, intensive, and productive, for the questions that I wanted to research were very clear. The trip took me to central and southern Hunan. In the winter of 2005, I went back to Hunan for the third time and updated my information on the rural tax-for-fee reform, focusing on northern Hunan.

I interviewed several hundred peasants and more than a hundred local government cadres. The interviews with township and county cadres lasted for at least an hour each time. I often talked to peasants and peasant leaders (or their relatives) for a whole afternoon or evening. My interviews with peasants usually started with me talking to one or a few peasants, who then swelled into a small group as the conversation continued. My discussions with local government officials were often carried out at banquet tables, also with several cadres attending. Most interviews were extremely useful and productive. Indeed, peasants and (sometimes) cadres in one protest center would often refer me to another rebellious township. The data on local public finance and peasant burdens were collected gradually during the entire fieldwork that lasted more than two years. The materials on each of the four cases of peasant protests were collected during short field trips of no more than a few days. Only the Qizong case studied in chapter 6 required two trips because I was initially detained and deported from the township.

In all three positive cases of peasant protest, peasants allowed me to record the interviews. In the one case of peasant acquiescence, they did not. Occasionally, local cadres also allowed me to tape them when I was collecting data on local public finance. However, most only agreed to talk if they were not taped. Only after I had been in the field for a year did I dare to ask my interviewees (both peasants and cadres) whether I could record our conversations. Surprisingly, many of them agreed,

perhaps because I carried official letters of introduction from Qinghua University and the Institute of Agricultural Research of the Chinese Academy of Sciences. My seven empirical chapters are largely based on the taped materials and on notes that I took at night after a day's interviews. However, these tapes formed only a fraction of what I did during my long fieldwork. It is unfortunate that neither my memory nor my notes are as good as the interviews themselves. To protect myself, friends and family members who helped me greatly with my interviews, and the people kind enough to give me interviews, I will keep the names of places and peasant leaders anonymous in my dissertation. Whenever possible, I will give information about the places referred to in my dissertation.

### **Overview of the Empirical Argument**

Based on detailed fieldwork in Hunan province, this researcher argues that a fiscal crisis combined with bureaucratic expansion and corruption led to the emergence of the local predatory state in rural China in the 1990s. The fiscal crisis of the local government was in turn caused by economic, fiscal, and political reasons. Economically, in spite of China's long boom, much of China's countryside underwent de-industrialization in the mid-1990s, as its public sector (at first state-owned and collective enterprises and then township and village-owned enterprises) collapsed, while the development of its private sector lagged behind the coastal regions. In other words, the economy of rural China stagnated in the 1990s. Fiscally, the tax-sharing system (TSS) adopted in 1994 created a severe downward fiscal pressure within the Chinese bureaucracy. It failed to redistribute enough revenue both horizontally between rich and poor regions and vertically between booming cities and the stagnating countryside. As a result, the local government in rural China faced a severe mismatch between its fiscal capacity and fiscal responsibilities (Wong, Heady and

Woo 1995; Wong et al 1996; Wong 1997, 2007). Under the weight of the tax-sharing system, the local government in rural China found it hard to provide public goods or even pay local cadres' salaries (Shue and Wong 2007).

Politically, in a large country like China where power nominally weakens as it descends through layers and layers of the bureaucracy, the Chinese local government is simultaneously weak and powerful. It is weak because it sits at the bottom of the political hierarchy. It is powerful because, in a multilayered system, the center (the principal) lacks effective means to ensure that the local government (the agent) implements central policies in the best interest of the center, rather than of itself (O'Brien and Li 1999). Both the weakness and the power of the local government contributed to the fiscal crisis of the local government in rural China in the 1990s. Its weakness made the local government pay for a torrent of "unfunded central mandates" in the 1990s.<sup>36</sup> Its power distorted well-intentioned central policies, which then wrought fiscal havoc in the countryside and led to widespread peasant protest.<sup>37</sup>

China's transition from socialism to capitalism was also accompanied by political decentralization, which in turn affected the political accountability of the local government, measured by the size and the ethos of the bureaucracy. In the 1990s,

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<sup>36</sup> For unfunded central mandates, see Christine Wong, "Central-Local Relations in an Era of Fiscal Decline: The Paradox of Fiscal Decentralization in Post-Mao China," *The China Quarterly*, no. 128 (Dec. 1991): 691-715; Christine Wong et al., "Distributional Consequences of Reforming Local Public Finance in China," *The China Quarterly*, no. 147 (Sept. 1996): 751-78; Cao Jinqing, *Huanghe biande zhongguo* [China along the Yellow River] (Shanghai: Shanghai wenyi chubanshe, 2002); Bernstein and Lu, *Taxation Without Representation*, 88-96; and Kai-yuen Tsui and Youqiang Wang, "Between Separate Stoves and a Single Menu: Fiscal Decentralization in China," *The China Quarterly*, no. 177 (March 2004): 71-90.

<sup>37</sup> Kevin O'Brien and Lianjiang Li argue that good policies did not get implemented in rural China for two reasons. First, they were not easily quantifiable. The cadre management system, particularly the "one-level-down management" increased the tendency of rural cadres to implement only those policies that were easily quantifiable. Second, even when some good policies were quantifiable, local cadres often failed to implement them, due to the weakness of the peasantry and a more liberal political environment in the age of market reform, which made it hard to discipline rural cadres. See Kevin O'Brien and Lianjiang Li, "Selective Policy Implementation in Rural China," *Comparative Politics* 31, no. 2 (January 1999): 167-186.

the local bureaucracy in rural China expanded dramatically as the state needed to regulate a more complicated economy. At the same time, central control over the local government loosened, while the ethos of the bureaucracy changed from serving the people to serving itself. Thus, the transformation of the local bureaucracy depicted in this dissertation was not the transition from a Leninist bureaucracy to what Jowitt (1983) calls “communist neotraditionalism,” which occurs when a Leninist bureaucracy lacks a combat task or a core mission. Rather, it was largely due to the corroding influence of private property newly introduced into the economic system and the ample opportunities for rent-seeking in a semi-socialist, semi-market economy (He 1998; Lu 1999; Sun 2004).<sup>38</sup> This large and ever-growing local bureaucracy, having no other source of revenue, taxed peasants relentlessly in the 1990s in order both to ensure its own survival and to provide public goods in the countryside.

Thus, the fiscal crisis and lack of political accountability led to the emergence of the local predatory state in rural China in the 1990s. Had rural China indeed “taken off” (Oi 1999), the local bureaucracy, large as it was, could have taxed the industrial and commercial sectors. If, on the other hand, the local bureaucracy had been small and accountable to the people or the party-state, it would not have taxed peasants so heavily either. The fundamental problem of rural China in the 1990s was that the growth of the local bureaucracy outpaced the growth of the local economy and the growth of peasant income. To put it differently, the main contradiction in rural China in the 1990s was the contradiction between the economic foundation and the administrative superstructure, which is a basic Marxist insight. The peasants’ meager income made it hard for them to support either the size or the lifestyle of the local bureaucracy. As a result, they defaulted on their payments to the state or rebelled.

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<sup>38</sup> For a broader discussion of the transition from socialism to capitalism in China, Russia and Eastern Europe, see the symposium in *American Journal of Sociology* 101, no. 4 (January 1996): 908-1096.

Peasant resistance seriously challenged both the power and the legitimacy of the local government.

### **Chapter Outline**

This dissertation has seven empirical chapters which, in turn, are divided into three parts. The first four empirical chapters discuss the political economy of transition from socialism to capitalism in Central China at the local level, which include counties, towns/townships, and villages. These chapters analyze the causes of the emergence of the local predatory state and study the types of taxes and fees collected from peasants. Chapters 1 and 2 explain why the local government in Central China expanded and faced an acute fiscal crisis in the 1990s. Chapters 3 and 4 show how fiscal crisis and bureaucratic expansion led to the emergence of the local predatory state. Part II includes chapters 5 and 6 and analyzes peasant protest against heavy taxes and fees. It compares three cases of peasant protests with one case of peasant acquiescence. It explains why peasants sometimes organized large-scale protests, rather than small-scale riots, why some protests were more successful than others, and why, in the end, peasant protests were limited to pockets of rural radicalism. It discusses the importance of central documents on lowering peasant burdens in legitimizing peasant resistance to the predatory local state. It highlights the role of “peasant cadres” and “peasant intellectuals”—better educated peasants who had worked for the local party-state at some point in their lives—in the rise of peasant protest. It also provides a model of the diffusion of peasant protest, which explains why most peasant anti-tax protests were township-bound.

The seventh and also the last empirical chapter forms part III of the dissertation. It analyzes the central government’s most important response to peasant protest and its attempt to halt the decline of local government in Central China: the

rural tax-for-fee reform (2002-2006) and its aftermath. In short, the dissertation starts with an analysis of the local predatory state and why it led to peasant protest. It ends with an analysis on why peasant protest caused the transformation of the local predatory state. The following is a more detailed description of the arguments in each empirical chapter.

Chapters 1 and 2 explain why local government in rural China expanded in the 1990s while experiencing a severe fiscal crisis. Chapter 1 focuses on the causes of the fiscal crisis and bureaucratic expansion at the county level. Chapter 2 explains why both the fiscal crisis and bureaucratic expansion were worse at the township level.

Chapter 3 explores the bewildering array of taxes and fees that local governments in Hunan collected from peasants in the 1990s and beyond. It also explains variations of the amount and types of taxes and fees across different topographies and time periods in Hunan.

Chapter 4 explains how local governments collected taxes and fees from peasants, why the rural public finance system crumbled in 1998, why peasants, local cadres, and the central government held different views on taxes and fees, and why a rural fiscal crisis led to a profound political crisis in the countryside.

Thus, chapters 1-4 analyze the economic reasons for peasant discontent in Central China. Chapter 5 formulates hypotheses about the necessary conditions for sustained peasant collective action by comparing two large peasant protest events in a northern Hunan county that ended with a massive riot on exactly the same day. It argues that there are two important preconditions for peasant protest: divisions within the political elite and the rise of peasant leaders. Elite divisions refer to central documents on lowering peasant burdens which the local government could not implement and the support peasants received from the local bureaucratic world, especially from retired cadres who had rural roots. Peasant leaders were those peasants

connected to the local bureaucratic world. They spoke the language of the state, had good knowledge of party policies, and were good at making public speeches and writing reports. All these qualities had been nurtured within the bureaucratic party-state system where most protest leaders had worked at some point, usually as team heads.

To see if the hypotheses derived inductively in chapter 5 apply to other places in Hunan (and, by implication, Central China), chapter 6 studies in detail one case of peasant protest in central Hunan and one case of peasant acquiescence in the south. By comparing the three cases of peasant protest events with one case of peasant acquiescence and by comparing the three positive cases among themselves, this chapter reiterates the importance of elite divisions and peasant leadership for the emergence of peasant protest. It also explains why some peasant protests were more successful than others, why the repertoires of collective action varied across different areas, and why most peasant protests, even if successful, could not spread from the “movement center” to an area larger than a township.

Alarmed by widespread peasant protests in agrarian China, the central government carried out the rural tax-for-fee reform in 2002. The reform gradually abolished the agricultural tax by 2006. Chapter 7 begins by explaining what the rural tax-for-fee reform was, why it was considered to be the third revolution in rural China since 1949, and how it affected peasant burdens and improved peasant-cadre relationships. The chapter then analyzes the impact of the reform on the public finance and debt reduction of the local government and the provision of public goods in rural China. It concludes by discussing the situation of the local government and its options after the rural tax-for-fee reform.

Throughout the chapter, I discuss the dilemmas of the local government revealed by the tax-for-fee reform. While the reform has relieved peasant burdens, it

has left the local government in Central China more starved of funds than ever before. Its ability to provide public goods has been further eroded, while its corrupt bureaucratic ethos and its size remain the same. Its fiscal crisis is deepening. The policy of “constructing the new socialist countryside,” which was launched in 2006, has improved the fiscal situation of the local government somewhat by tilting state investment toward the countryside and by increasing central transfers to local governments in rural China. However, it has not fundamentally improved the fiscal situation of the local government. In sum, the new central policies have lowered peasant burdens, restored political stability in rural areas, and ushered in a new era of rural development. However, they may not be able to solve the structural problems of China’s vast countryside, including slow economic growth, a low tax base, a shaky public finance, and the local government’s lack of political accountability. The chapter concludes that building a small, effective, and accountable local government in rural China will be a long-term challenge for the Chinese polity.

**CHAPTER 1:**  
**MARKET REFORM AND LOCAL GOVERNMENT IN RURAL CHINA**

**Introduction**

This chapter and the next explain why local governments (counties, townships/towns, and villages) in Hunan, a large grain-producing province in Central China, were caught in an alarming fiscal crisis and engaged in bureaucratic expansion and corruption in the 1990s and early 2000s. The growing size and declining revenue of the local government forced it to extract as much money from peasants as possible through various taxes and fees. This led to widespread discontent and, eventually, protests among peasants whose income stagnated during the 1990s. This chapter focuses on the causes of the fiscal crisis and bureaucratic expansion of the local government at the county level. The next chapter looks at the phenomena at the township level, which were even more serious.

As the Chinese idiom “*zuotian huanliang, yangzai gongniang*”<sup>1</sup> shows, peasants in China consider it their natural responsibility to turn in grain to the state, for they earn their livelihood from cultivating the state’s land, just like it is a son’s natural responsibility to support his mother when she becomes old and frail. Paying grain to the emperor as a state tax (*huangliang guoshui*) has been part of the Chinese peasants’ view about the natural order of things for more than 2,000 years. However, in spite of this deeply ingrained norm, peasants in grain-producing provinces in Central China like Hunan, Hubei, Anhui, Jiangxi, and Henan, often withheld grain from the state and protested against high taxes and fees for much of the 1990s and early 2000s.

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<sup>1</sup> “*Zuo tian*” means to cultivate the farmland. “*Huan liang*” means to turn in grain. “*Yang zai*” means to raise a son, and “*gong niang*” means to support a mother.

Local cadres and peasants engaged in an almost daily struggle over grain collection. Peasants often refused to turn over their grain to the local government and clashed with officials trying to collect the grain. It was not rare for these clashes to end in peasant deaths. When this happened, fellow villagers always responded by ambushing grain-collection cadres and encircling and ransacking township offices and even county government offices. Peasants refused to turn in grain because they felt that local governments demanded an exorbitant amount of taxes and fees from them. In lake areas, where taxes and fees were the heaviest, the local government could charge close to 400 yuan per person (see tables A.9-11). In hilly areas, the burden level could be around 160 yuan or higher per person (see table A.19).<sup>2</sup> With taxation at this level, tilling the land barely provided subsistence to peasants.

Local governments, deeply indebted and bloated out of proportion, were determined to squeeze peasants as hard as they could. Peasants, facing high agricultural input prices, e.g., for chemical fertilizers and pesticides, and low output prices, e.g., for rice and pork, responded to tax increases in a variety of ways. Some abandoned their farmland and migrated to the cities. Those who stayed behind often refused to pay what they considered excessive taxes and fees, shutting their door when they saw cadres coming, trying to scare them off by setting off firecrackers, spitting in cadres' faces, and engaging in fist fights with them. They also bargained hard with the cadres over how much and when they would pay. When a peasant's blood was shed during grain collection, spontaneous tax riots almost always followed. Armed with central government policy documents on lowering peasant burdens, peasants sometimes also carried out organized protests, ranging from petition campaigns to the

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<sup>2</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Yuanxiang County, October, 2002. Interview with a middle school teacher who engaged in a lengthy and costly legal fight with his village and town over peasant burdens, Wangyuting Town, Huaizhou City, 2002.

central government to ransacking the local government offices. Thus, tax collection became the most contentious issue in the Chinese countryside in the 1990s, which became engulfed in anti-tax riots and protests.<sup>3</sup>

### **Puzzles and Research Questions**

As the country with the longest history of agricultural production and centralized government in the world (Lieberthal 2004, 5), China has always had to rely on grain collected from peasants to support its bureaucracy. Chinese history is full of peasant rebellions against heavy taxes and fees (Spence 1999). In some sense, we can interpret the entire Chinese agrarian history as a cycle between peaceful coexistence between the rulers (the emperor and his bureaucrats) and the ruled (the peasants), when the emperor taxed the peasants lightly and punished greedy officials, and peasant uprisings, when the burdens became unbearable.

It is puzzling, however, that rural taxation became such a contentious issue in the 1990s, when China's economy grew at 10% a year and urban China experienced unprecedented prosperity. From the national perspective, collecting taxes and fees from peasants generated little revenue but a lot of political danger. To put things in perspective, not counting fees, the entire agricultural tax (*nongye shui*) nationwide produced about 30 billion yuan of revenue per year before 2002. After the rural tax-for-fee reform in 2002, which increased the rate of the agricultural tax from 3% to 7% of the annual grain yield per *mu* of farmland, but abolished various other taxes and

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<sup>3</sup> The first organized protest against heavy burdens that was widely reported by both the Chinese and western media happened in 1993 in Renshou County, Sichuan province. For a detailed case study of the Renshou protest, see Pan Wei, *Nongmin yu shichang* [Peasants and the market] (Beijing: Shangwu yinshuguan, 2003), chapter 4. For a comprehensive study of peasant burdens, see Thomas P. Bernstein and Xiaobo Lu, *Taxation without Representation in Contemporary Rural China* (Cambridge: Cambridge University Press, 2003).

fees, the agricultural tax brought in about 50 billion yuan a year.<sup>4</sup> At the same time, the total profits of 169 largest state-owned enterprises (SOEs), such as PetroChina, China Mobile and Baosteel, were 600 billion yuan in 2005 and “a wider group of 450 big SOEs made 331 billion yuan in the first five months” of 2006. However, until 2007, these state firms could keep all the profits to themselves, as they did not need to pay any dividends to the state.<sup>5</sup>

Agricultural taxes and fees were also extremely hard to collect. It was a mammoth project that involved countless local cadres and more than 700 million peasants, who rioted, smashed government compounds, attacked local cadres, or even got organized and started to challenge the local government’s authority and legitimacy as their burdens got heavier and heavier during the 1990s. It seems quite irrational for the Chinese government to have continued to collect the agricultural tax from poor peasants when it could have collected revenue from other sectors of the economy, such as the large profit-making SOEs and the many multinational corporations that had invested in China, with much less effort. In the words of one city cadre, “To collect this 30 billion yuan, the state has to deal with between 700 million to 1 billion peasants. The workload is huge and it involves many complicated questions at the local level. Why cannot the central government simply come up with this 30 billion yuan?”<sup>6</sup>

Why did the Chinese state tax the peasants so heavily in the 1990s as if it was in the middle of a dynastic decline, rather than a long economic boom? Why did

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<sup>4</sup> This estimation was provided by the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, May 2003. The director of the Bureau of Economic Management of Fenglin District, Huaizhou City estimated that the number was between 60 to 70 billion yuan a year after the rural tax-for-fee reform, June 2003.

<sup>5</sup> “Can’t pay, won’t pay,” *The Economist*, July 27<sup>th</sup> 2006.

<sup>6</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, May 2003.

China, with a modern and fast-growing economy in the 1990s, have to deal with an ancient problem of collecting agricultural taxes from peasants? Why was the Chinese state willing to risk the most precious thing for any political regime—political stability—just to collect small amounts of money from the peasants when it could have taxed other, more prosperous sectors of the economy with much less effort?

To understand the logic behind grain collection, we need to understand the political, economic, and fiscal constraints that local governments in Central China faced in the 1990s. Bureaucratic expansion, corruption, a stagnating economy, and a crippling fiscal crisis transformed local governments, especially townships, into greedy and ruthless grain collectors. The confrontational and sometimes deadly relationship between local governments and peasants in Central China in the 1990s contrasted sharply with the situation in the early to mid 1980s when local cadres helped peasants gain their land, developed rural industries, mingled leisurely with peasants, and in general extracted little from them. Paradoxically, the tremendous wealth that China created at the national level during its phenomenal economic growth in the 1990s led to local governments in Central China that were so cash-strapped that they were fiscally heavily dependent on grain collected from equally impoverished peasants. This sorrowful state in Central China where poor peasants were pitted against poor local governments while other parts in China, such as coastal areas, were bustling with prosperity and activities, revealed the skewed development of the Chinese economy, the failure of the central government to redistribute wealth among different regions or different sectors of the economy, and the tremendous difficulties in disciplining and streamlining the bureaucracy in the age of reform.<sup>7</sup>

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<sup>7</sup> On China's skewed development, see Wang Shaoguang and Hu Angang, *The Political Economy of Uneven Development: the Case of China* (Armonk, NY: M. E. Sharpe, 1999). See also Dali Yang, "Patterns of China's Regional Development Strategy," *The China Quarterly*, no. 122 (June 1990) for an early work on rising regional disparity.

## Summary of the Argument

One of the paradoxes of the reform era in China is that while the state retreated from direct ownership and management of the economy, its size expanded significantly. This was particularly true at the local level: it has been estimated that, between the early 1980s and late 1990s, the number of people employed by the local government increased at least ten times.<sup>8</sup> The local government expanded in part because its tasks became more complicated. As in the Mao era, it was expected to maintain local infrastructure, e.g., irrigation, manage state-owned enterprises (SOEs), and provide basic public services, e.g., health care and primary education. In addition, the local government became an entrepreneur in its own right, establishing a number of township and village enterprises (TVEs). It also had to regulate, i.e., license and oversee, the growing private sector.

Local government also became deeply corrupt in the 1990s. This was, in part, because market-oriented economic reforms dramatically expanded local cadres' opportunities for rent-seeking. For example, local officials entrusted with privatizing state-owned enterprises took bribes from enterprise managers eager to convert public property into private assets. In the same vein, officials in charge of regulating newly-established private firms took bribes in exchange for issuing various licenses and certificates. At the same time, political control over local officials relaxed considerably. For example, under Chairman Mao, the state undertook periodic political campaigns to encourage the masses to attack corrupt and incompetent officials. No such campaigns have taken place since Chairman Mao's death.

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<sup>8</sup> For discussions on bureaucratic expansion in the reform era, see Vivienne Shue, "State Sprawl: the Regulatory State and Social Life in a Small Chinese City," in *Urban Spaces in Contemporary China: the Potential for Autonomy and Community in Post-Mao China*, ed. Deborah Davis et al. (Cambridge: Cambridge University Press, 1995) and Marc Blecher and Vivienne Shue, *Tethered Deer: Government and Economy in a Chinese County* (Stanford, California: Stanford University Press, 1996). See also Bernstein and Lu, *Taxation without Representation*, chapter 4.

While the local government became bloated and corrupt, its fiscal capacity declined drastically. By the mid 1990s, a full-blown fiscal crisis swept through almost all local governments in Central China for three reasons.<sup>9</sup> First, due to managerial corruption and private-sector competition, the public sector in Central China, including state-owned enterprises (SOEs), collective enterprises, and township and village-owned enterprises (TVEs), collapsed in the 1990s. Thus, local governments in Central China lost their most important source of revenue. Of course, China received large amounts of foreign investment in the 1990s, which could have compensated for the collapse of the public sector. However, much of that capital flowed into coastal areas which were opened to foreign investment at least a decade earlier than the rest of the country and enjoyed favorable policies, e.g., special economic zones where foreign firms were exempted from taxes for three years. As a result, the coastal areas developed rapidly, while the economy of the inland provinces stagnated. This skewed development brought about the largest internal migration witnessed in human history, as millions of peasants migrated from Central to Eastern China.<sup>10</sup>

Second, the fiscal contract system adopted since the 1980s, especially the “tax-sharing system (TSS)” adopted in 1994 exacerbated the fiscal plight of local governments in Central China. TSS enabled the central government to recentralize fiscal power. The fiscal capacity of the local governments in Central China, however, diminished greatly because of the collapse of the public sector and the under-development of the private sector economy. Further, TSS made each layer of the

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<sup>9</sup> Interviews with officials in charge of public finance at four administrative levels (the township, the county, the prefecture, and the province) in Huaizhou, Jianglu, Zizhou, Yuanxiang, and Sishui, 2001-2003. Xu Xianglin (2003), Zhao Shukai (2003), Yu Jianrong (2003b), Dang Guoying (2003) all mentioned the fiscal crisis very briefly in their articles.

<sup>10</sup> Cheng Li, *Rediscovering China: Dynamics and Dilemmas of Reform* (Lanham: Rowman & Littlefield, 1997), chapters 7 and 8.

government responsible for its own expenses, no matter how much the revenue source had dwindled. It also left the local governments responsible for a large share of the national expenditure. As a result, the system forced local governments in Central China to shoulder many fiscal responsibilities, even when the fiscal capacity of these local governments declined drastically in the 1990s.<sup>11</sup> This then created a severe mismatch between the fiscal capacity (*cai quan*) and the fiscal responsibilities (*shi quan*) for local governments in Central China, forcing them heavily into debt.<sup>12</sup>

Third, the power relationship between the central and the local government also contributed to the fiscal crisis of local government in Central China in the 1990s. On the one hand, the local government in China is weak. Despite political decentralization during the age of reform, the party-state has retained one crucial power: the right to promote cadres (Landry 2008). The promotion of lower level cadres depends on whether they carry out orders from higher levels of government, often from their very immediate supervisors (O'Brien and Li 1999; Whiting 2001; Edin 2003). As a result, local governments often have to pay for unfunded central mandates. On the other hand, the local government in China is quite powerful. It sits at the end of a large and multi-layered bureaucracy and the central government lacks the means to make sure that the local governments implement central policies with no

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<sup>11</sup> This argument was based on numerous interviews with cadres in charge of public finance that I carried out in northern and central Hunan from 2001 and 2003 at all four government levels, including townships, counties, cities, and the province. Christine Wong makes the same argument in "Can the Retreat from Equality Be Reversed? Assessing Fiscal Policies toward Redistribution from Deng Xiaoping to Wen Jiabao," in *Paying for Progress in China: Public Finance, Human Welfare and Changing Patterns of Inequality*, ed. Vivienne Shue & Christine Wong (London: Routledge, 2007), 12-28. See also Yao Yang and Yang Lei, "Zhidu gonggi shiheng he zhongguo caizheng fenquan de houguo" [The consequences of institutional disequilibrium and fiscal decentralization in China], *Zhanlue yu guanli* [Strategy and management], 2003, no. 3:27-33.

<sup>12</sup> Both the phrases "*cai quan*" (fiscal capacity) and "*shi quan*" (fiscal responsibilities) and the idea come from the vice director in charge of budget appropriation of the Finance Bureau of Huaizhou City whom I interviewed in May 2003.

distortions. As a result, well-intentioned central policies often bring adverse results when implemented at the local level.

Both unfunded central mandates and central policies gone awry when implemented at the local level wrought fiscal havoc to local governments in Central China in the 1990s. Central mandates at this time usually took the form of standard reaching activities (*da biao sheng ji*). The central government would require the local government to reach certain standards, without appropriating the money (Cao 2002). Among all unfunded central mandates in the 1990s, the mandate to “reach the two basic standards in education” (*liang ji da biao*) was the most costly, saddling each township in Hunan with several million yuan of debt. Two central rural policies that went awry in the 1990s were particularly responsible for the fiscal chaos and heavy indebtedness of townships in rural China. These included the central government’s decision to establish two rural development funds (*liang jin*) and to consolidate rural administration by abolishing rural districts, merging small townships, and establishing towns (*chequ, bingxiang, jianzhen*).<sup>13</sup>

This fiscal crisis affects townships the most because the fiscal system, which regards self-reliance as its principle, combined with a multi-layered political system where lower level bureaucrats answer to higher level ones, creates a severe downward fiscal pressure within the bureaucracy. Sitting at the very bottom of the large and multilayered Chinese bureaucracy, townships who govern peasants directly feel the

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<sup>13</sup> Interviews with local cadres and peasants in various villages, townships, and counties in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2001-2003. So far few scholars have studied the disastrous fiscal consequences of the three central policies. A few exceptions include Jean Oi and Zhao Shukai, “Fiscal Crisis in China’s Townships: Causes and Consequences,” in *Grassroots Political Reform in Contemporary China*, ed. Elizabeth Perry and Merle Goldman (Cambridge, MA: Harvard University Press, 2007), 85 where they very briefly discuss the two-basic debts and the two rural-fund debts. Yu Jianrong briefly discusses the abolition of townships in “Nongcun hei e shili he jiceng zhengquan tuihua” [The Mafia in the countryside and the decay of the local government], *Zhanlue yu guanli* [Strategy and management], 2003, no. 4:1-14. Dang Guoying mentions the problem of two-basic debts in “Xiangcun dishuiping zhidu junheng de pojie lujing” [The solution to the low-level institutional equilibrium in the countryside], *Zhanlue yu guanli* [Strategy and management], 2003, no. 4:34-49.

fiscal squeeze most acutely.<sup>14</sup> Moreover, township governments expanded more than any other layer of government in the 1990s. Until 1998, they were required to employ college graduates from their jurisdiction. They also had to employ demobilized soldiers and cadres sent down to them by county and provincial governments. Once hired, township cadres cling to their jobs tenaciously because the township is the lowest level of the government in China. Once a person loses his or her job in a township government, (s)he stops being a cadre and becomes a peasant or something worse: a person with neither a job nor a small plot of land.<sup>15</sup>

Fiscal crises and bureaucratic expansion turned townships and villages into nothing but greedy and ruthless grain collectors in the 1990s. To finance its ever-increasing size and to provide public goods, townships and villages extracted an exorbitant amount of taxes and fees from peasants. They used all their power and various methods, both legal and illegal, civil and violent, peaceful and brutal to collect money and grain from peasants. Peasants, whose income started to stagnate or even decline in the 1990s and who remained poor in spite of the family responsibility system, refused to pay beyond and above what they considered to be their tax duty toward the state: the imperial grain (*huangliang guoshui*), which was the agricultural tax (*nongye shui*). Local governments and peasants were thus locked in a constant struggle over grain collection in the 1990s. Occasionally, peasants' blood was shed during these struggles. The countryside in Central China became destabilized, as it was engulfed in tax riots and protests. Peasants ransacked township government offices and even county government offices. The struggle only ended when the central government decided to abolish many fees, lower the agricultural tax, and subsidize

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<sup>14</sup> Interviews with township and county cadres in Huaizhou, Jianglu, Yuanxiang, Zizhou, and Sishui, 2001-2003.

<sup>15</sup> Ibid.

peasants in 2004. In 2005, the central government decided to abolish the agricultural tax in all but five provinces. In 2006, the agricultural tax was completely abolished across the nation.

The above analysis sketches briefly the structural background of the emergence of the local predatory state. The remainder of chapter 1 and chapter 2 will discuss in detail the fiscal crisis, bureaucratic expansion, and corruption of the local government in Central China. Before that, however, the chapters will define some key concepts, including rural China, peasants, local government, local cadres, and the state.

## **Key Concepts**

### **Rural China**

This dissertation studies the conflicts between local cadres (defined below) and peasants in rural China. Rural China consists of grain-producing counties. These are counties where the public sector has collapsed, the private sector is undeveloped, the entire economy has stagnated, and the local bureaucracy has expanded. As a result, the agricultural tax became an important source of local revenue in the 1990s and the early 2000s. There are many such counties in Central China, particularly in the provinces of Hunan, Hubei, Anhui, Jiangxi, and Henan, long considered a giant grain production area (*liangcang*) of China. Though most prominent in Central China, such counties can also be found in other parts of China like Sichuan in the west, northern Jiangsu on the eastern coast, and in the northeast.

Quite a few counties in China have indeed become rich during the reform. For example, some counties in southern Jiangsu, Shanghai, Zhejiang, Shandong, and Guangdong have transformed themselves from grain-producing centers to industrial and commercial ones. Nonetheless, many more counties in China are closer to what is

depicted in this dissertation than what one can find in China's prosperous coastal areas. Further, even in these prosperous places, such as Shandong, one of the wealthiest provinces in China, one can still find many counties and townships, particularly the latter, that are poor and are burdened with fiscal responsibilities that they cannot meet.<sup>16</sup> Thus, although the findings of my dissertation apply mainly to Central China, they also "travel" to many areas in the West, the North, and the South that have a similar economic structure to that of a typical grain-producing county in Hunan.

### **Peasants**

Eric Hobsbawm (1973, 3) once quipped that the term "peasant" is just like the word "elephant": everybody knows what it means, but nobody can precisely define it. This dissertation defines peasants as people who earn their living mainly by tilling the soil or who have the legal right to use agricultural land (and the corresponding obligation to pay taxes on it). This includes the vast majority of the rural population in China. Rather than the word "farmers," which is more commonly used in today's news report and academic articles,<sup>17</sup> this dissertation uses the word "peasants" which was more widely used in the 1960s, 1970s, and even 1980s to describe the subjects that it

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<sup>16</sup> "Against the Grain," *The Economist*, Feb. 20, 2003. In fact, this article argues that almost all townships in China, including those in rich coastal provinces, just like townships in Hunan depicted in this dissertation, have difficulty meeting their fiscal obligations, including paying their cadres' salaries and providing public goods, such as basic education.

<sup>17</sup> All articles in *the Economist* on China's rural people and the rural tax-for-fee reform use the term "farmers," for example. In a recent article on ethnic politics and taxation, Kimuli Kasara uses the term "farmers" to refer to rural people in Africa. See "Tax Me If You Can: Ethnic Geography, Democracy, and the Taxation of Agriculture in Africa," *American Political Science Review* 101, no. 1 (Feb. 2007): 159-172.

studies, precisely because the latter conveys the idea of people seeking subsistence by cultivating the land.<sup>18</sup>

By using the term “peasants” rather than “farmers,” this researcher does not intend to ignore the great transformations that the Chinese countryside has gone through in the past two and half decades. Ever since the implementation of the family responsibility system in the early 1980s, a massive internal migration involving million of rural people has occurred in China. Many have migrated to cities in search of work. Some supplement their income incomes by setting up small stores and shops, e.g., vehicle repair or hairdressing. Some have become successful entrepreneurs during the reform. Rarely does a rural family in China now derive all its income from the land. When one visits villages in Hunan, for example, one seldom sees able-bodied men there. Almost all have left for cities. Only old people, middle-aged women, and children remain at home. The extent of migration and deprivation of the countryside in Hunan can be seen from the following comments made by several peasants in their 60s:

The central government says that peasants have become rich. However, how many peasants are tilling the land at home? They [those staying at home] are nicknamed “the March 8<sup>th</sup> Women’s Teams” (*sanba funu dui*). Those tilling the land are all women of 37 or 38 years old. Nowadays when a peasant dies, even old men in their 60s have to carry the coffin, as all [young] men have left the countryside. Who would want to become a migrant worker, were it not for survival? What is good about working as a migrant worker? You have to get up at 6:00 in the morning.<sup>19</sup>

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<sup>18</sup> See, for example, James C. Scott, *The Moral Economy of the Peasant: Rebellion and Subsistence in Southeast Asia* (New Haven: Yale University Press, 1976) and his *Weapons of the Weak: Everyday Forms of Peasant Resistance* (New Haven: Yale University Press, 1985); Eric Wolf, *Peasant Wars of the Twentieth Century* (New York: Harper & Row, 1969); Teodor Shanin, ed. *Peasants and Peasant Societies*, 2<sup>nd</sup> ed. (Oxford: Basil Blackwell, 1987); Samuel L. Popkin, *The Rational Peasant: The Political Economy of Rural Society in Vietnam* (Berkeley: University of California Press, 1979) and Daniel R. Kelliher, *Peasant Power in China: The Era of Rural Reform, 1979-1989* (New Haven: Yale University Press, 1992).

<sup>19</sup> Interviews with peasants in Shuangdu Village in Cangyuan Town, Yuanxiang County, October 2002. China celebrates the International Women’s Day on March 8<sup>th</sup>. In his most recent acclaimed novel, *Qin*

In spite of the structural transformations in the countryside, land remains the only guarantee of subsistence, even for people who derive most of their income from non-agricultural activities. Small business owners in rural China still cultivate the land to have enough rice to eat. Migrant workers often return to their villages when they lose their jobs in the cities or when they get old and sick. As a result, though many rural people abandon their farmland (*pao huang*) due to heavy taxes and fees, and many others stop tilling the land (*bu zuo le*) because they have found employment in cities, steady or not, few have given up their legal right to use the land.<sup>20</sup> The bond between rural people and land, the quintessential definition of a peasant, still exists in contemporary China. In the words of one town cadre:

Why are rural people called peasants? Because they have land and most of them, let us say more than 80% of them, never give up their land. Even though they cannot make much money tilling the land, they cannot survive without the land either. Thus, they will not agree if you want to take away their land.<sup>21</sup>

Further, rural people had to pay taxes and fees to the local government because they used the state's land for their sustenance. The clashes between local cadres and rural people depicted in this dissertation were over the income that a rural household derived from cultivating farmland, a theme familiar in any agrarian society. Though many rural people supplemented their income by working odd jobs in cities, many

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*Qiang* (Beijing: Zuojia chubanshe, 2005), Jia Pingwa, one of the most famous contemporary Chinese novelists, describes similar process happening in a village in Shaanxi Province in northern China. The novel is based on his observation of the impact of market reform on rural life in the village where he grew up.

<sup>20</sup> Interviews with peasants and local cadres in Huaizhou, Zizhou, Yuanxiang, Jianglu, and Sishui, 2001-2003. The interviews with town and village cadres of Dongxingyuan Town, Yuanxiang County in October 2002 greatly helped me to understand why peasants still cling to their farmland even when they have left the countryside. When peasants abandon their farmland, they simply leave their villages without making any arrangements for their land. Thus farmland lies fallow. More commonly, however, peasants stop tilling the land themselves, but pay their relatives or fellow villagers to cultivate the land on their behalf.

<sup>21</sup> Interview with a town cadre of Dongxingyuan Town, Yuanxiang County, October 2002.

were still poor and farmland remained their main asset. This made the conflict over how farmland income should be divided between local governments and rural households particularly tense and tragic, as it pitted poor local governments against even poorer rural people. Had there been enough economic development in the countryside, the conflict would have disappeared. So a peasant seems to be a better term than a farmer, for the former depicts a traditional rural society surviving on subsistence, whereas the latter implies economic development.

### **Local Government**

By local government, I mean all three levels of rural government, including county government (*xian zhengfu*), township/town government (*xiang/zhen zhengfu*), and village self-governance committees (*cunmin zizhi weiyuanhui*), all of which govern peasants in China. The county is the lowest level of the government where one can find all the functionaries of a state.<sup>22</sup> In imperial China, counties governed peasants directly and remained the lowest level of government, as illustrated in the expression, “The imperial power does not reach below a county” (*huangquan buxia xian*).<sup>23</sup> In contemporary China, however, the lowest level of government is the township government, which is one level below the county government. An average county in Central China has hundreds of thousands of people, while a large one has more than a million residents. As a result, counties rely on townships to govern

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<sup>22</sup> Marc Blecher and Vivienne Shue, *Tethered Deer: Government and Economy in a Chinese County* (Stanford, California: Stanford University Press, 1996); Xu Yong, “Xiangcun zhili jiegou gaige de zouxiang” [Ways to reform rural governance], *Zhanlue yu guanli* [Strategy and management], 2003, no. 4:90-97.

<sup>23</sup> See Xu Yong, “Xiangcun zhili jiegou gaige de zouxiang,” 90-97; Dang Guoying, “Xiangcun dishuiping zhidu junheng de pojie lujing” [The solution to low-level institutional equilibrium in the countryside], *Zhanlue yu guanli* [Strategy and management], 2003, no. 4:34-49.

peasants. It is at the township level that peasants interact with the local government. Indeed, for peasants, the very word “government” usually means that of a township.

A township/town in Hunan usually includes dozens of villages. Villages are self-governed and are officially not part of the government. Thus, village cadres are not on the state’s payroll, but are directly supported by the peasants. However, the village party secretary, the most important official in the village, is appointed by the township party committee. Village cadres, though elected by peasants themselves,<sup>24</sup> work closely with township cadres and govern peasants at the pleasure of townships.<sup>25</sup> Moreover, as with counties, townships are too large to be governed by township cadres directly. An average township in Hunan has between 25,000 and 30,000 peasants, while a large township may have as many as 100,000 peasants.<sup>26</sup> Even an unusually small township in Hunan has more than 10,000 peasants. As a result, township cadres have to rely on village cadres to carry out the actual tasks of governing, such as collecting grain from the peasants. Hence, my definition of local government includes the village self-governance committees.

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<sup>24</sup> China first introduced village-level elections in the late 1980s. See Lianjiang Li & Kevin J. O’Brien, “The Struggle over Village Elections,” in *The Paradox of China’s Post-Mao Reforms*, ed. Merle Goldman and Roderick MacFarquhar (Cambridge, MA: Harvard University Press, 1999), 129-144 and the special issue on “Elections and Democracy in Greater China,” *The China Quarterly*, no. 162 (June 2000): 365-559.

<sup>25</sup> With apologies to Theodore J. Lowi, *At the Pleasure of the Mayor: Patronage and Power in New York City, 1898-1958* (New York: Free Press of Glencoe, 1964).

<sup>26</sup> Huaizhou City, which governs 6 counties, had 143 townships and 3,699,200 peasants in 2002. The average township in this prefecture had 25,868 people in 2002. These figures are based on my interviews with two cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City in October 2002. Zizhou City which governs 5 counties had 2.1 million peasants and 62 townships in 2002. The average township in this prefecture had 33,870 residents in 2002. The figures on Zizhou are based on my interviews with the director of the Office of the Finance Bureau and with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City in June 2002. Fenglin District, Huaizhou City had 23 townships and 6,400,000 peasants in 2004. The average township in this district had 27,826 residents in 2004. These figures are based on my interviews with the director of the Budget Office of the Finance Bureau and with the director of the Economic Management Bureau of Fenglin District of Huaizhou City in May 2003.

Local government excludes prefecture-level cities, the next administrative level above counties<sup>27</sup> because counties and cities are two separate fiscal entities, whereas the finances of counties, townships, and villages are unified. Before they were abolished in 2005 and 2006, agricultural taxes and fees were an important source of revenue for villages, townships, and counties, but not for cities. Counties allocated budgets to townships. Townships collected taxes and fees from peasants and needed to turn over a large portion of these revenues to counties.<sup>28</sup> By contrast, under the fiscal contract system adopted in the 1980s, cities did not have to allocate budgets to counties, nor did they rely on agricultural taxes and fees for their revenue.<sup>29</sup> As a result, the local predatory state emerged at the level of villages, townships, and counties rather than at the city level. Nonetheless, as this dissertation will argue, this practice has worrisome national implications.

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<sup>27</sup> A city in China can have equal status with a province, a prefecture (*di qu*), or a county. There are four province-level cities in China, including Beijing, Tianjin, Shanghai and Chongqing. There are many county-level cities. See Kenneth Lieberthal, *Governing China: from Revolution through Reform*, 2<sup>nd</sup> ed. (New York: W. W. Norton, 2004), chapter 6.

<sup>28</sup> Interviews with township, county, city, and provincial officials in charge of public finance in Huaizhou, Zizhou, Yuanxiang, Sishui, and Jianglu, 2001-2003.

<sup>29</sup> The fiscal contract system adopted in the 1980s and early 1990s between the central and local governments was very complicated. There were at least 6 different revenue sharing schemes. For a discussion of the evolution of the fiscal system in the 1980s, see Christine Wong, "Fiscal Reform and Local Industrialization: The Problematic Sequencing of Reform in Post-Mao China," *Modern China* 18, no. 2 (April 1992): 197-227. See also Jean Oi, "Fiscal Reform and the Economic Foundation of Local State Corporatism in China," *World Politics* 45, no. 1 (Oct. 1992): 99-126; Barry R. Weingast, Yingyi Qian, and Gabriella Montinola, "Federalism, Chinese Style: The Political Basis for Economic Success in China," *World Politics* 48, no. 1 (October 1995): 50-81; and Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993). For the recent history of the Chinese fiscal system, see Michel Oksenberg and James Tong, "The Evolution of Central-Provincial Fiscal Relations in China, 1971-1984," *The China Quarterly*, no. 125 (March 1991): 1-32 and James Tong, "Fiscal Reform, Elite Turnover and Central-Provincial Relations in Post-Mao China," *The Australian Journal of Chinese Affairs*, no. 22 (July 1989): 1-28.

## Local Cadres

Local cadres are officials employed by the local government, including county, township, and village governments. County cadres appoint township cadres and supervise their work. Sometimes, county cadres are sent down to the countryside to carry out important central or provincial policies or to provide important services. For example, in lake areas in Hunan, many county cadres have to spend time every year in the countryside during the flood-fighting season. In 2001, county cadres in Hunan were sent down to townships and villages to implement a pilot project for the rural tax-for-fee reform.

In most cases, county cadres were able to unload the onerous responsibility of collecting grain from the peasants on township and village cadres. However, sometimes they had to help the lower-level cadres to collect grain. This happened in two situations. First, after the early crop (*zao dao*)<sup>30</sup> was harvested in summer, all county cadres who had immediate peasant relatives were given a two-week harvest break to make sure that their relatives turned in grain to the local government.<sup>31</sup> Second, a county government sometimes sent down work teams of enormous numbers to help township and village cadres collect grain from villages where peasants refused

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<sup>30</sup> Hunan is a subtropical area and peasants can harvest grain twice a year. The early crop (*zao dao*) is harvested in July and the late crop (*wan dao*) is harvested in October. Counties and townships usually demanded that peasants turn in their taxes and fees after the early crop was harvested. Peasants, however, preferred to pay after the late crop was harvested because the late crop was worth more than the early crop, one of the numerous reasons that grain collection was so difficult and contentious.

<sup>31</sup> These immediate relatives included one's parents, the parents of one's spouse, one's siblings and the siblings of one's spouse, and one's children. See *Guanyu renzhen zuohao nongcun "shuangshou" gongzuo de tongzhi* [A notice regarding carrying out the 'double-harvest' task diligently and responsibly in the countryside] issued by Wangyuting Town Government and Wangyuting Party Committee on July 22, 2001. The party secretary of a village in this town gave me the notice. Making cadres responsible for the taxes and fees of their rural relatives was widely practiced in Hunan in the 1990s and the early 2000s.

to turn in grain, which usually happened after some peasants started popularizing central documents on lowering peasant burdens.<sup>32</sup>

The relationship among the three layers of bureaucrats is hierarchical, which can be seen in how the cadres address one another. Village cadres call township and county cadres “*lingdao*,” which can be translated as “leaders” or “bosses.” When facing county cadres, township cadres refer to themselves as “local cadres” (*jiceng ganbu*) and call county cadres “*lingdao*.” County cadres regard townships and villages, but not counties as the local government (*jiceng*). Thus, when county cadres use the phrase “local cadres” (*jiceng ganbu*), they usually exclude themselves. Village cadres (*cun ganbu*), though called cadres by both themselves and peasants, are not cadres employed by the state (*guojia ganbu*).

Finally, though local governments and local states are interchangeable in English, the dissertation will reserve the word “state” to refer exclusively to the central government. During the fieldwork, whenever peasants and local cadres used the word “the state” (*guojia*), it always meant the central government. Local cadres and peasants alike called local governments either “*di fang*” (local government), “*xia mian*” (below) or “*ji ceng*” (basic level), which were juxtaposed with the central government, called either “*guo jia*” (the state), “*shang mian*” (above) or “*zhong yang*” (the center).

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<sup>32</sup> A grain-collection work team sent down by a county often consisted of several hundred cadres. This only happened when a county wanted to placate and/or control a rebellious village. Interviews with peasant protest leaders and ordinary peasants in Yuanxiang County (October 2002) and Qinggang City (summer 2004).

## Fiscal Crisis in Rural China

### The Extent of the Crisis

In the 1990s and early 2000s, townships and villages in Hunan were crippled by a full-blown fiscal crisis. Almost all townships and many villages in Hunan were bankrupt many times over and were heavily in debt.<sup>33</sup> The combined township and village debts in Hunan reached 11 billion yuan in 2000.<sup>34</sup> Nationwide, “total debts of township and village governments alone may amount to well over 1 trillion yuan (\$125 billion), or more than 5% of GDP.”<sup>35</sup> A survey carried out by the Finance Department of Hunan and the Provincial Office of the Agricultural Affairs (*nong ban*) found out that 88.2% (or about 2000) of Hunan’s townships were indebted in 1999. The total township debt in Hunan was 8.54 billion yuan. On average, each township in Hunan owed 3.63 million yuan.<sup>36</sup> Some large townships, however, owed much more than that. For example, Qingpu, a large town in Zizhou County, owed 70 million yuan in 2000.<sup>37</sup> Yonghua, the most indebted town in Huaiyang District of Huaizhou City,

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<sup>33</sup> Almost all counties in Hunan are also heavily indebted. For example, Fenglin District, Huaizhou City owed more than 100 million yuan of debt in 1998. My fieldwork data, however, do not have numbers on the debt level of other county governments. Thus, I have decided to leave out the county part. For evidence of the fiscal crisis at the county level, see section “Fiscal Plight of Counties” in this chapter.

<sup>34</sup> *Guanyu wosheng nongcun shuifei gaige shishi fang’an youguan wenti de shuoming* [An explanation of ways to implement the rural tax-for-fee reform in Hunan Province] issued by the vice director of the Finance Department and of the Rural Tax-for-Fee Reform Office of Hunan Province on February 27, 2001. The data on the debt level are based on an investigation carried out by the Provincial Office of Agricultural Affairs.

<sup>35</sup> “Fat of the Land,” *The Economist*, March 23, 2006.

<sup>36</sup> Chu (2002) cited in Yao Yang and Yang Lei (2003).

<sup>37</sup> Interview with the head of the Rural United-School (*xiang lianxiao*) in Qingpu Town, April 2001.

owed more than 10 million yuan in 2004.<sup>38</sup> Dongxingyuan Town in the neighboring Yuanxiang County owed 11 million yuan in 2002.<sup>39</sup>

Significantly, these numbers do not include debts incurred by township agencies, such as water management stations and rural schools, whose finances are independent from township governments. The debts accumulated by these agencies could be enormous. A water management station in a township alone could owe as much as several million yuan. For example, in Fenglin District of Huaizhou City,<sup>40</sup> the most heavily indebted water management station owed 2.6 million yuan and the least indebted one owed 1 million yuan in 2003.<sup>41</sup> In 2004, the Liugongwan Township government itself owed 2 million yuan, yet the combined debt of the township and its agencies was more than 10 million yuan. The two rural funds debt alone was 4 million yuan.<sup>42</sup>

Although townships were almost universally indebted in Hunan, some villages managed to balance their budgets or even maintain a surplus. For example, Yinshan Village, the richest in Hunan, had net public assets of more than 100 million yuan in 2000, while the value of the goods and services produced in the villages reached 280

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<sup>38</sup> Interviews with the party secretary, the director, and the vice directors of Liugongwan Township, Huaiyang District, Huaizhou City, August 2004.

<sup>39</sup> Interview with the director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, October 2002.

<sup>40</sup> An urban district of a prefecture-level city has the same administrative rank as a county. Thus, Fenglin District and Huaiyang District are both ranked as counties.

<sup>41</sup> *Huaizhou shi Fenglin qu shuiliju guanyu guanche shishi 'Zhonghua Renmin Gongheguo Shuifa' de qingkuang huibao* [A report on how the irrigation bureau of Fenglin District, Huaizhou City has implemented the Water Law of the People's Republic of China], August 28, 2003.

<sup>42</sup> Interviews with the party secretary, the director, and the vice directors of Liugongwan Township of Huaiyang District, Huaizhou City, August 2004.

million yuan.<sup>43</sup> However, there were very few such villages. Yinshan Village, for example, was one of only ten “red flag villages” (*hongqi cun*) in the province.<sup>44</sup> In contrast, most Hunanese villages were as heavily indebted (on a per capita basis) as the townships. For example, in Huaizhou City, the total debt of its 3,485 villages reached 790 million yuan in 2003.<sup>45</sup> On average, each village had a debt of 226,685 yuan. The most indebted village, whose only village-owned enterprise had just collapsed, owed 5.23 million yuan.<sup>46</sup> In Sishui City, a county in Huaizhou,<sup>47</sup> the total debt of its 427 villages in 2001 was 180 million yuan. The average debt per village was 421,545 yuan.<sup>48</sup>

All these debts, particularly those incurred by villages, carried high interest rates. In Sishui City, villages had to pay a *monthly* interest rate of 10-15% on their debts in 2001.<sup>49</sup> In Huaizhou City, the average annual interest rate on village debts was 10% in 2003 even after the government lowered the rate through several rounds of debt-clearing efforts (*zhaiwu qingli*). Thus, a village that owed half a million yuan

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<sup>43</sup> *Yinshan cun jianjie* [A brief introduction to Yinshan Village], a one-page description of the village prepared for visitors by the Village Party Committee and the Village Government. I visited the village twice in 2001.

<sup>44</sup> Interviews with cadres of Yinshan Village, Changsha County, winter 2001. In 2001, Yinshan Village had several highly profitable village-owned enterprises. Its cement factory was particularly profitable and competitive. Peasants in this village worked in these firms and received regular wages. The developmental goal of this village was to “learn from Nanjie and catch up with Huaxi” (*xue Nanjie, gan Huaxi*). Nanjie Village in Henan Province and Huaxi Village in Jiangsu Province were the richest in China in the 1990s and the early 2000s. All three villages became rich thanks to competitive village-owned firms.

<sup>45</sup> Huaizhou City is a prefecture-level city. It governs four counties and two urban districts.

<sup>46</sup> Interviews with the director and a senior cadre of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003. At the time of my interview, Huaizhou City had just finished sorting out village debts (*qingli cunji zhaiwu*) as part of the rural tax-for-fee reform.

<sup>47</sup> Sishui City is one of the 16 county-level cities in Hunan province.

<sup>48</sup> Interviews with cadres in the Economic Management Bureau in Sishui, January 2002.

<sup>49</sup> *Ibid.*

of debt needed 50,000 yuan a year to pay the interest, which was more than the entire amount of taxes and fees that it could collect from peasants.<sup>50</sup>

## **The Causes of the Fiscal Crisis**

### *The Collapse of SOEs*

The most immediate reason for the fiscal crisis of local governments in Central China was the collapse of state-owned enterprises (SOEs) and collective enterprises of counties in the 1990s during China's transition to a market economy.<sup>51</sup> More than two thirds of public firms in Hunan had collapsed by the early 2000s.<sup>52</sup> There are hardly any profitable SOEs left in Hunan today. For example, Sishui City had only one profitable SOE as of 2002. All other 18 SOEs supervised by their economic commission have gone bankrupt.<sup>53</sup>

The collapse of the public sector in the counties and cities of Hunan was almost total. The level of government that owned the firms, the firms' technological levels, quality of products and degree of profitability under the planned economy, the initial success or failure of the firms in adapting to the market in the 1980s and early 1990s---none of these factors mattered.<sup>54</sup> The only factor that mattered was public

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<sup>50</sup> Interviews with the director and a senior cadre in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>51</sup> The data in this section on the collapse of SOEs are based on extensive interviews with managers, mid-level firm cadres, government officials in charge of the restructuring of SOEs, as well as laid-off and retired workers at SOEs and collective enterprises in Huaizhou, Jianglu, Zizhou, and Sishui from 2001-2003.

<sup>52</sup> Interview with the director of the Office of the City Government of Jianglu, 2002.

<sup>53</sup> Interviews with cadres and workers in Sishui City, 2001-2002. The only profitable SOE in Sishui is Sishui Paper Mill. The firm, however, does not belong to the city government.

<sup>54</sup> These data are based on interviews with workers and managers at SOEs and with cadres in charge of industry in several counties and cities in northern Hunan, including Huaizhou, Sishui, Zizhou, and Jianglu.

ownership. Most public firms collapsed. The few that remained profitable included state monopolies, such as steel companies, particularly Hunan Steel (*xiang gang*), tobacco factories, and large wine-makers. The budget of Hunan province is nicknamed the “tobacco and wine budget” (*yanjiu caizheng*), for it is heavily dependent on taxes paid by firms producing tobacco and wines.<sup>55</sup> Counties, however, do not own any of these still-profitable SOEs.

SOEs and collective enterprises used to form the industrial and commercial base of Hunanese counties. Public firms in a county included both enterprises owned and run by the county (*difang guoying*) and its urban street offices (*jiedao banshichu*) and SOEs located in the county but owned by either the province or the central government or its agencies.<sup>56</sup> Those owned by the central government consisted mostly of factories making military machinery (*jungongchang*). Firms owned by urban street offices were usually collective enterprises. A county usually had dozens of such enterprises. Huaiyang District of Huaizhou City, for example, had 68 enterprises, including 8 SOEs, 55 collective enterprises, and 5 other types of enterprises under the supervision of its economic commission as of 2003. Its light-industry system owned 23 collective enterprises.<sup>57</sup>

Most county-level SOEs and collective enterprises were small (by Chinese standards) and medium-sized (*zhong xiao qiye*), employing a few hundred people.<sup>58</sup>

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<sup>55</sup> Interviews with cadres in the Department of Finance of Hunan Province, Changsha, 2002.

<sup>56</sup> An urban street office (*jiedao banshichu*) is a sent-down unit (*paichu jigou*) of a county government or its equivalent (urban district). For the urban bureaucratic structure in China, see White (1991, 220).

<sup>57</sup> These numbers did not include firms in the commercial sector. The large number of public firms on the district books does not mean that they are still profitable. As long as an SOE or a collective enterprise has not gone through bankruptcy procedures or been transformed into a private firm, it is still considered a public firm, even if it has been closed down. Interview with the director of the Office of the Economic Commission of Huaiyang District, Huaizhou City, 2002.

<sup>58</sup> Interviews with cadres and retired and laid-off workers in Huaizhou, Zizhou, and Jianglu. Interview with an official in the Economic and Commerce Commission of Hunan Province, who was in charge of the restructuring of small and medium-sized SOEs, Changsha, March 2002.

Together, however, they employed a substantial proportion of the county population. For example, in Huaiyang District, the 68 enterprises altogether employed 19,534 people, among which 9,834 were laid off, 6,718 were retired, and only 2,982 were still working in 2002.<sup>59</sup> The district had about 130,000 urban residents in 2002.<sup>60</sup> This meant that in this district, firms supervised by the economic commission alone used to employ more than 15% of the urban residents before the public sector collapsed.

Before market reforms, the state, e.g., provinces and counties, directly owned and managed SOEs. Under the Chinese planned economy, a firm was merely a production site. It received all its inputs, including raw materials, labor, capital and technology, from the state and the state also purchased all that it produced. The state determined the price of all the inputs and outputs. The state also collected all the profits of SOEs. This system has widely been criticized as inefficient. However, through state monopoly of industry and price scissors between industrial and agricultural goods, it guaranteed that SOEs made a profit and provided workers with an “iron-rice bowl”: life-time employment, free health care, and a pension.<sup>61</sup> It also enabled the state to collect enough revenue without building an elaborate taxation bureaucracy (Naughton 1992).

### ***Why Did SOEs Go Bankrupt? Role of Competition and Corruption***

***Competition.*** In the 1980s and 1990s, China’s market reforms succeeded in building a thriving private sector, mostly concentrated in the Long River Delta, the Pearl River Delta, and several large cities. The state sector, however, simply collapsed,

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<sup>59</sup> Interview with the director of the Office of the Economic Commission of Huaiyang District, 2002.

<sup>60</sup> Interviews with cadres in various bureaus of Huaiyang District, 2001-2004.

<sup>61</sup> Interviews with retired enterprise managers and local government officials in charge of the restructuring of SOEs in Huaizhou, Jianglu, Zizhou, and Sishui, 2001-2003. For discussions on the socialist economic system, see Kornai 1980 and 1992.

instead of “growing out of the plan” (Naughton 1995). Reform destroyed the economic and social model based on planned economy and work units.<sup>62</sup> It bankrupted most SOEs, particularly small and medium-sized ones in counties and cities, and deprived millions of workers of their livelihood. This is because the market reform unleashed two powerful forces that undermined China’s state sector: competition and corruption.<sup>63</sup>

Specifically, SOEs faced two types of competition during the reform. One came from township and village enterprises (TVEs) and small private businesses that mushroomed during the reform. These firms usually had a low technological level and little capital. However, they could produce almost everything much more cheaply than SOEs because they paid their workers extremely low wages and no benefits, e.g., health insurance or pensions. Often, they also evaded paying taxes. Therefore, it was no accident that the SOEs that collapsed the fastest in Hunan were firms producing shoes, textiles, paper, lamps, sewing machines, and small agricultural machinery—sectors where the competition from TVEs and small private businesses was most severe.

Wholesale centers (*pifa zhongxin*), department stores (*baihuo shangdian*), the Supply and Sale Co-ops (*gongxiao hezuoshe*), and the Grain Bureau were also among the first to collapse because the reform not only introduced competition in production,

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<sup>62</sup> For an analysis of the work unit (*dan wei*), see Xiaobo Lu and Elizabeth Perry, eds., *Danwei: The Changing Chinese Workplace in Historical and Comparative Perspectives* (Armonk, NY: M.E. Sharpe, 1997).

<sup>63</sup> For the impact of private-sector competition on SOEs, see Barry Naughton, “Implications of the State Monopoly over Industry and Its Relaxation,” *Modern China* 18, no.1 (Jan.1992): 14-41; Barry Naughton, *Growing out of the Plan: Chinese Economic Reform, 1978-1993* (Cambridge: Cambridge University Press, 1995); Gary H. Jefferson and Thomas G. Rawski, “Enterprise Reform in Chinese Industry,” *The Journal of Economic Perspectives* 8, no. 2 (Spring 1994): 47-70 and “How Industrial Reform Worked in China: the Role of Innovation, Competition, and Property Rights,” in *Proceedings of the World Bank Annual Conference on Developmental Economics* 1994:129-156; and Christine Wong, “Fiscal Reform and Local Industrialization: the Problematic Sequencing of Reform in Post-Mao China,” *Modern China* 18, no. 2 (April 1992): 197-227.

but also in commerce. Previously, people were not allowed to buy and sell freely and firms were required to get their supplies from wholesale centers. Under the reform, trade became open and firms were allowed to buy goods directly from other firms.<sup>64</sup>

The other type of competition came from large foreign enterprises which had better technology, more capital, and a business model more suited for a market economy. Many of them also benefited from state policies aimed at attracting foreign investment, such as tax holidays. This brought down large SOEs with a lot of capital and relatively advanced technology, i.e., companies producing consumer durables like refrigerators, washing machines, and TV sets. No matter how much autonomy they gained during the reform, the enormous responsibilities that SOEs shouldered for their workers and the fact that SOEs were still subject to state control and could not evade taxes, put them at a disadvantage compared with both types of competitors. Without state intervention to level the playing field (e.g., by requiring TVEs and private firms to provide social benefits for their workers or subsidizing state firms and by collecting taxes from TVEs/private firms), it was very difficult for SOEs to succeed in a market economy.

*Corruption.* Competition alone, however, cannot explain why most small and medium-sized SOEs in Hunan went bankrupt in the 1990s. The co-existence of the public sector with the private sector, rather than facilitating a virtuous cycle within the economy, as Naughton (1992, 1995), Jefferson and Rawski (1994, 1995), and Rawski (1995, 1999) have argued, provided a fertile ground for corruption among enterprise managers and government officials. The Chinese party-state, in turn, was no longer able or willing to fight corruption.

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<sup>64</sup> Interviews with enterprise managers and local cadres in Huaizhou, Jianglu, Sishui, and Zizhou, 2001-2003.

The principal-agent problem, where the agent—local officials and enterprise managers—have different interests from the principal—the Chinese state—exists in all firms under any political system. However, this problem is most acute in economies undergoing a transition from socialism to capitalism, as in China. The economic reforms, e.g., greater enterprise autonomy and later privatization of SOEs, created powerful incentives for enterprise managers to siphon off the assets they managed for their private use, e.g., to launch their own private businesses. Local cadres, who often received hefty bribes from enterprise managers, had a strong incentive to look the other way when this was happening.

With a new political leadership and a new economic model, the party-state has lost its old ways of disciplining the bureaucracy, such as cleansing the bureaucracy through mass political campaigns (*zheng zhi yundong*), educating people with the communist ideology and Mao Zedong thought, closely monitoring the bureaucracy through the party, enforcing bureaucratic rules with no compromise or exception, ensuring that the center's directives and policies reach the bottom of the multi-layered bureaucracy without distortion, and maintaining the legitimacy of the regime through the charisma and personality cult of Mao Zedong. In the reform era, the party-state is unable to devise new ways to discipline itself. Therefore, it is unable to prevent corruption, which has become rampant during the reform (He 1998; Sun 2004). Corruption permeates every aspect of social life in China. Even Jiang Zeming, the Party Secretary of CCP from 1989 to 2002, admitted in his report to the 15<sup>th</sup> Party Congress that whether or not CCP could curb corruption would be vital for its continued rule in China.

As a result, China's gradual transition to a market economy turned out to be not so different from the "nomenklatura privatization" that characterized the former Soviet Union and some Eastern European countries during their rapid transition to a

market economy. The only difference was that nomenklatura privatization was a rapid process sanctioned by law, while in China *de jure* privatization only followed after years of *de facto* privatization.

***De facto* privatization (1984-1994):** The urban reform in China during the first period (1984-1994) did not legally transform the property rights of SOEs. Instead, it delegated more rights and some autonomy to SOEs and allowed SOEs to retain some profit (*fangquan rangli*) so that they would be more than a production site or an appendage of the state. The reform introduced the contract system (*chengbao zhi*) and the manager's responsibility system (*changzhang zeren zhi*) in the hope that managers would work much harder when sufficiently empowered and sufficiently awarded with money. It gradually abolished the plan and the plan prices so that SOEs would learn to respond to price signals and to the law of supply and demand in a market economy. It tinkered with the iron-rice bowl and introduced short-term labor contracts (*hetong zhi*) and more labor disciplines and competition such as labor optimization (*youhua zuhe*) so that laborers would toil harder and become cheaper.

All these reform measures, rather than boosting the productivity of SOEs, became *de facto* privatization where managers and local bureaucrats, being rational individuals put in a position to make a fortune quickly, pocketed the assets of their firms. Overall, these urban reform measures increased the power of managers and diminished the power, job security, and compensation of workers.

Two economic reforms introduced by the central government in the 1980s bore much of the responsibility for the huge increase in managerial corruption: the “contract system” and the “manager responsibility system.”<sup>65</sup> Under the contract

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<sup>65</sup> This and the next two paragraphs are based on my interview with the retired director of the Economic Commission of Huaizhou City, October 2002.

system, local government agencies, including banking, taxation and fiscal bureaus and the economic commission, bargained with the manager of each SOE over the value of more than ten performance indicators, such as profits, taxation, input cost, and bank loans. After intense bargaining, the two sides then signed a contract, lasting for either three or five years. The manager agreed to meet the performance quotas, whereas the local government agreed to award the manager with two or three times the average wage if the agreed-upon quotas were indeed reached. To entice managers to sign these contracts, local governments also gave tax and loan benefits to their firms.

In theory, the contract system should have worked well for all sides, as it should have benefited firms, managers, and even workers. Firms would make bigger profits, managers and workers would get paid more, and the local government would collect more money in taxes. The success of the family responsibility system, which was in essence a contract between peasants and local governments, suggested that the contract system should work well in urban reform too. In reality, however, the contract system undermined SOEs by reducing state control over managers. For example, managers were rewarded when they fulfilled their quotas, but not penalized when they failed to do so (*bao ying bu bao kui*). Local governments replaced supervision of SOEs with contracts (*yi bao dai guan*) and managers subcontracted quotas to lower level cadres (*ceng ceng cheng bao*). Further, there was no control over how managers used the funds that the state (the local government) lent them, so many managers simply kept the money for themselves.

The “manager responsibility system” gave managers more power over SOEs. Under the Mao-era party committee responsibility system (*dangwei fuzezhi*), all important decisions in an SOE had to be made collectively by the firm’s party committee, including the party secretary (*shu ji*), the firm’s manager (*chang zhang*), the president of the workers’ union (*gonghui zhuxi*) and other officials. Under this

system, the party secretary was first among equals and the manager of the firm was subordinate to the party secretary. The party committee made decisions collectively and a manager only executed them. The 1980 enterprise law (*qiye fa*) replaced this system with the manager's responsibility system, which abolished the leadership role of the party committee and gave a manager the power to make all major decisions, including the use of enterprise finances and assets. Managers also acquired the power to appoint all mid-level cadres in the firm, which they used to hire and promote their friends and relatives. To borrow a worker's phrase, this system turned a manager into the "emperor" of an SOE.

Not only did the power of managers increase, however, but the power of all cadres. "Even a director in a workshop (*chejian zhuren*) exercises a lot of power over workers and is corrupt."<sup>66</sup> Workers' Unions and Workers and Staff Representatives Meetings, never very powerful under communist neo-traditionalism (Walder 1986), were rendered completely powerless in the age of reform. As a result, managers, factory cadres and bureaucrats gained power and wealth while the workers' fate sunk together with their SOEs, which were plundered by managers and bureaucrats.

Together, the "contract system" and the "manager responsibility system" created a situation where managers were responsible neither to the state nor to the work collectives of their enterprises. This led to blatant and massive corruption as managers siphoned off enterprise funds to enrich themselves personally. They did so in two ways. First, they took advantage of the "dual price system" which allowed SOEs to buy raw materials (e.g., minerals, steel, cotton) at much lower plan prices. Instead of using these inputs to produce goods, many managers simply sold them to private entrepreneurs at free-market prices, pocketing the difference. Second, they

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<sup>66</sup> Interviews with workers in Huaizhou, Jianglu, Zizhou, and Sishui, 2001-2003.

often sold the products their firm made as cheaply as possible to private firms. In exchange, the private firms that purchased the goods paid them large “commissions.” In extreme cases, managers and sales representatives claimed that they had received no payment for the goods they had sold as they pocketed the entire earnings of the firm.

Not unreasonably, many people—ordinary workers and cadres alike—felt that corruption, rather than inefficiency, was the main reason why many SOEs went bankrupt during the reform. In the words of one cadre in Hunan,

The collapse of SOEs is not an economic problem. Rather, it is a political problem. In Changsha and elsewhere in Hunan, two thirds of all SOEs have either stopped production completely or are half-closed. This is due to corruption and abuse of power by cadres. The problem of SOEs lies not in public ownership. Rather, it lies in the type of government we have now. It is useless only to carry out economic restructuring (*guoqi gaizhi*). We also need to reform our government. More specifically, the government needs to have a new way to hire and promote cadres.<sup>67</sup>

***De jure privatization:*** Because of competition and corruption, most SOEs, especially small and medium-sized firms, were losing money by the middle of the 1990s.<sup>68</sup> To survive, the firms borrowed money from state-owned banks, usually at very high interest rates. When banks refused to lend them any more and they ran out of circulating capital (*liudong zijin*), production had to be stopped temporarily. Once a firm reached this stage, as many in Hunan did, the road to total destruction was swift. Firms ceased production, laid off their workers, and sold their equipment very cheaply

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<sup>67</sup> Interview with the director of the Office of Restructuring of SOEs (*guoqi gaizhi*) of the City Government of Changsha, spring 2002.

<sup>68</sup> This and the next two paragraphs on *de jure* privatization are based on interviews with managers, mid-level firm officials, local government officials, and laid-off and retired workers in Huaizhou, Jianglu, Zizhou, and Sishui, 2001-2003.

to private businessmen as “scrap metals” (*fei tie*). By the end of the 1990s, empty buildings and broken windows were all that were left of once-prosperous enterprises.

Unable to reverse this downhill slide of SOEs, the central government decided in the mid 1990s to give up small and medium-sized SOEs and only hold on to large ones (*zhua da fang xiao*). The Chinese government, which stopped short of transforming the property rights of SOEs during the first stage of the reform, was now ready for legal privatization. The property rights of small and medium-sized SOEs were to be transformed or diversified. They were sold, leased, or closed down. A few good ones that were still profitable were turned into share-holding companies.

This stage of *de jure* privatization was characterized by “two transformations” (*liangge zhihuan*) in Hunan, which meant transforming the legal status of both SOEs and their workers. The property rights of SOEs were transformed through privatization. Workers were legally severed from enterprises, thus permanently transforming their status from “work unit beings” (*dan wei ren*) who could legitimately make unlimited fiscal demands on local governments to “social beings” (*she hui ren*) who had to fend for their own survival. In many counties and cities in Hunan, SOE workers were severed from their firms and were paid only several hundred yuan a year for each year they worked in the SOEs. For many, the severance money was not even enough to pay for their social security insurance fee (*she bao fei*).

### ***Fiscal Consequences of the Collapse of SOEs***

The severe fiscal pressure that the collapse of SOEs and collective enterprises brought to counties in Hunan was threefold.<sup>69</sup> First, SOEs and collective enterprises used to provide the most important revenue source for counties in Hunan. Industrial

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<sup>69</sup> This and the next four paragraphs are based on interviews with managers, mid-level officials in SOEs, local government officials in charge of restructuring SOEs, and workers in Huaizhou, Jianglu, Zizhou, and Sishui, 2001-2003.

and commercial taxes (*gongshang shui*) and profits from these public firms funded many government activities in Hunan. Their collapse deprived local governments of their biggest source of income. At the same time, the government's ability to tax the private sector was quite limited, not only because the private sector economy was not very developed in counties in Hunan, but also because of the common practice of evading taxes among private business.

Second, the collapse of the public sector also created many new fiscal obligations that were impossible for counties to meet. The collapse of SOEs transferred the fiscal obligation to provide for workers from these firms to the local government. Specifically, counties had to provide three basic safety-nets for the hundreds and thousands of workers who became impoverished after their firms collapsed, including pensions for retired workers (*she bao*) from SOEs, the minimum living standard fee (*di bao*) for laid-off workers, poor urban residents, and retired workers from collective enterprises, and the unemployment fee (*shiye baoxian*) for those officially severed from their SOEs.<sup>70</sup> In addition, counties had to provide one third of a monthly lay-off fee (*xia gang fei*) for three years in a row to laid-off workers who agreed to enter a "re-employment center" (*zai jiuye zhongxin*).<sup>71</sup> Counties also had to contribute severance funds (*mai duan*) to workers officially severed from their

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<sup>70</sup> Retired workers from collective enterprises are not entitled to pensions. The state only guarantees them a monthly minimum-living standard fee because collective enterprises kept their profits under the planned economy, whereas SOEs submitted both taxes and all profits to the government.

<sup>71</sup> The re-employment center did not exist until 1997. When SOEs started to lay off workers at the beginning of the 1990s, there was no national policy regarding compensation for laid-off workers. Whether laid-off workers received any benefits at all depended on the financial situation of individual firms. In 1997, as part of the national policy of establishing three safety-nets in China, re-employment centers were set up in China. Workers who entered those centers were paid laid-off fees for three years. After that, they had to be officially severed from their firms. As a result, many did not want to enter those centers. These centers were financed by the unemployment fund, the local governments (*cai zheng*) and the SOEs that had workers in the centers. Each side was responsible for one third of the expenses.

firms which either went through bankruptcy procedures (*po chan*) or were purchased by private businessmen.

Providing three basic safety-nets for workers who lost their livelihood during China's transition to a market economy, called the "three guarantees" (*sange quebao*) became a national policy in 1998, when Zhu Rongji became the premier. The central government provides social safety-nets transfers to the local government. However, it is ultimately the responsibility of the local government to come up with the funds to meet the fiscal demands of workers. Even though counties in Hunan appropriate some money to these funds from their own budget each year, they are largely dependent on transfers from the central government to give to angry and struggling workers. The tremendous difficulties that local governments have in meeting their fiscal obligations toward workers during the economic transition can be seen from the following comment by a city cadre:

The city faces tremendous pressure in meeting its social security obligation. The shortfall of the social security fund (*she bao*) for the city government itself (*shi ben ji*) is 100 million yuan a year. I am only talking about the pension fund here. If the central government did not provide the social security subsidy (*bu zhu*) or if the subsidy was one month late, we local governments would not be able to function. There are close to 70,000 retired workers and 170,000 workers are participating in the social security fund at the city level. 170,000 people have to feed 70,000 retired workers... Though several social safety-nets are being established in China, it is the local governments rather than the central government that have to foot the bill. The central government only provides subsidies to local governments when they face tremendous fiscal difficulties. This social safety-net issue has not been solved completely. It is only dealt with on a case-by-case basis (*gao yi ci, suan yi ci*).<sup>72</sup>

Among the three social safety-net fiscal obligations, the fiscal obligation that counties had toward retired workers from SOEs turned out to be the most pressing

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<sup>72</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

one, as retired workers, among all impoverished workers, were the ones most likely to engage in demonstrations, sit-ins, and protests.<sup>73</sup> Each county and city in Hunan faced huge shortfalls in their social security fund. For example, In Huaiyang District of Huaizhou City, its social security fund which covered 84 enterprises and more than 8,000 retired workers, was short of 24.05 million yuan in 2002.<sup>74</sup> In Fenglin District, Huaizhou City, the social security fund covered more than 3,600 retired workers. It was short of 8.9 million yuan in 2002.<sup>75</sup> The social security fund of Zizhou City was short of 141 million yuan a year.<sup>76</sup> These numbers only referred to the shortage involved in paying for those workers covered by the social security fund. Many retired workers from SOEs in counties were excluded from the social security fund because their firms did not have the money to pay the enterprise portion of the social security fund, which was 24% of the overall salary of an enterprise.<sup>77</sup> This exclusion meant that the overall social security liability of local governments was even bigger than the numbers shown here. For example, in Zizhou City, if every retired worker from a SOE were to receive his or her pension and if every laid-off worker, urban resident, and retired worker from collective enterprise whose living standard was below the minimum standard were to receive the minimum living standard fee, the fund would need about 500 million yuan a year. It could collect about 100 million yuan of the social security fund. It also received 100 million yuan a year from the central

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<sup>73</sup> Interviews with laid-off and retired workers in Huaizhou, Jianglu, Sishui, and Zizhou, 2001-2003. See also William Hurst and Kevin O'Brien, "China's Contentious Pensioners," *The China Quarterly*, no. 170 (June 2002): 345-360.

<sup>74</sup> Interviews with cadres in the Bureau of Labor and Social Security and in the Bureau of Commerce of Huaiyang District, Huaizhou City, April 2002.

<sup>75</sup> Interview with a cadre in the Bureau of Labor and Social Security of Fenglin District, Huaizhou City, 2002.

<sup>76</sup> Interview with the director of the Labor and Social Security Bureau of Zizhou City, May 2002.

<sup>77</sup> Interviews with workers, managers, and cadres in Huaizhou, Sishui, Zizhou, and Jianglu, 2001-2002.

government and the province. It appropriated tens of millions of yuan a year from its own budget. Still, it fell short by 250 million yuan a year, 50% of the funds.<sup>78</sup>

Third, facing these severe fiscal pressures, counties transferred some of their fiscal responsibilities to townships, which are located at the very bottom of the large and multi-layered Chinese bureaucracy. For example, counties signed fiscal contracts with townships which assigned very high tax quotas that townships had to fulfill. Townships, however, faced even more serious fiscal pressure, for township and village-owned enterprises (TVEs) also collapsed in the 1990s, which then dried up the revenue source. To fulfill these high tax quotas, townships in Hunan had to buy taxes (*mai shui*) from rich private businessmen, who asked an interest rate known as “case fees” (*ban an fei*), which could be as high as 30 or 40%.<sup>79</sup>

### ***The Collapse of TVEs***

TVES in Hunan, like elsewhere, evolved from commune and brigade-owned enterprises (Whiting 2001). For example, the richest village in Hunan, Yinshan Village, thrives on many village-owned corporations which all grew out of a cement factory first built by the brigade in the early 1970s.<sup>80</sup> In the 1980s, TVEs in some coastal provinces, such as Shandong and southern Jiangsu, developed rapidly (Oi 1999). Hunan, however, lagged behind. In the early 1980s, trying to learn from the successful model of rural development of Shandong and Jiangsu, Hunan encouraged, or rather forced, its villages and townships to develop TVEs by sending quotas and tasks of developing TVEs down the bureaucratic ladder (*ceng ceng xia renwu, ceng*

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<sup>78</sup> Interview with the director of the Office of the Finance Bureau in Zizhou City, June 2002.

<sup>79</sup> Interviews with cadres in townships in Huaizhou, Zizhou, Yuanxiang, Jianglu, and Sishui, 2001-2003.

<sup>80</sup> Interviews in Yinshan Village in Changsha County, winter 2001.

*ceng xia zhibiao*).<sup>81</sup> With few exceptions, most of these TVEs collapsed in the mid 1990s.

Just as SOEs and collective enterprises in counties collapsed under the double pressure of competition and corruption during the market reform, TVEs in the countryside in Hunan also became bankrupt in the 1990s under the same pressure. As public firms owned either by townships or villages, the same principal-agent problem that made SOEs and collective enterprises bankrupt during the reform also stripped TVEs of their competitiveness. Managers in charge of TVEs, as officials sent by either the township government or the village governance, found it more lucrative to keep the assets of TVEs for themselves than to work for the awards granted to them by a contract. When villages or townships contracted out these firms to outsiders, rather than insiders (managers/officials), the same predatory behavior resulted.

TVEs in Hunan collapsed also for economic reasons. The technology level of TVEs was usually low, the quality of their product was poor, and they often depended on SOEs for their survival. TVEs filled in a niche when China was a shortage economy in the 1980s and the early 1990s. However, when the market became saturated with goods in the mid 1990s, most TVEs also lost their competitiveness.

The collapse of TVEs did not pose as many burning fiscal problems for villages and townships which had to be solved immediately as the collapse of SOEs and collective enterprises did for counties. TVEs carried no financial obligations toward peasants working in them except to pay their wages. Thus, unlike counties, which had to figure out how to pay pensions, lay-off fees, unemployment fees, severance fees, and minimum living standard fees once its public sector collapsed, townships and villages did not have to face any of these challenges.

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<sup>81</sup> Interviews with cadres in the Economic Management Bureau of Sishui City, Jan. 2002.

However, the collapse of TVEs in the 1990s strained rural public finance severely by saddling townships and villages with huge amounts of debts. A single bankrupt township-owned enterprise could leave a township several million yuan in debt. In the worst case, one bankrupt TVE could leave a township 20 to 30 million yuan in debt.<sup>82</sup> The most heavily indebted villages in Hunan were also the ones that used to run profitable village-owned enterprises.<sup>83</sup> Bad debts led to rural instability, made it very hard for villages or townships to collect taxes or fees from peasants, and complicated the financial relationship among the peasants, the village collectives, and the local government. Specifically, many TVEs collected funds (*ji zi*) from peasants when they were first established. Therefore, the peasants refused to pay their agricultural taxes and fees if their funds were not returned. The collapse of TVEs also contributed significantly to a predatory local state in Hunan. Thriving TVEs, in addition to providing taxes to counties and townships, provided fees to villages and townships, thus relieving the burdens on peasants. In very rich villages whose economy was built on TVEs rather than private business, such as in Yinshan, peasants not only did not have to turn in a penny to their village or local government, but they also received subsidies, pensions, and services from the village.

### ***The Under-development of the Private Sector***

The economic woes that came with the collapse of the public sector in counties in Hunan would be relieved if the private sector took off, but this did not happen. When the public sector collapsed in the late 1990s, local governments in Hunan decided that their highest priority was to attract private capital and commerce

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<sup>82</sup> Ibid.

<sup>83</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

(*zhaoshang yinzi*). Without economic development, local governments had difficulties paying salaries to their civil servants and teachers, not to mention dealing with new problems that had emerged during the reform, such as severing workers from their SOEs and providing a basic safety-net for retired, laid-off, and poor workers. Economic development, however, was not easy to come by. Counties in Hunan faced severe competition from regions in Central China with a similar economic structure. More importantly, they faced competition from rich coastal provinces, which started to develop the private sector in the 1980s. Lagging behind the coastal areas for about two decades, Central China increasingly found itself relegated to a dependent position, not unlike the relationship between rich and powerful countries in the center and poor countries at the periphery of the world system. One indicator of this unequal relationship was migration. Areas in Central China such as Hunan provided massive amounts of cheap labor to coastal provinces and also kept losing talents to these areas, which cost local governments a lot to cultivate in the first place.

The inferior position of Central China in the internal economic hierarchy contrasts sharply with the situation during the planned economy era in two aspects. First, Central China was somewhat more developed than parts of the coastal places, such as Fujian and Guangdong, partly for security reasons. Second, the economy then was cellular, consisting of equal and autonomous provinces as cells, with little contact with other provinces and a maximum amount of interaction within one province (Donnithorne 1972).

The sorrowful state of the economy of counties in Hunan in the 1990s and beyond could be seen from the following comment made by a county cadre in Huaizhou City, one of the 14 prefectures of Hunan province. “The three economic pillars in Huaizhou are ‘*man man you*’ (rickshaw pulling), ‘*ma la tang*’ (hot and numb

pot), and ‘*ca pi xie*’ (shoe shining).<sup>84</sup> This lack of economic development propelled by the private sector held true in every county in Hunan, including the three relatively well-to-do counties: Changsha County, Liuyang County, and Shaodong County.<sup>85</sup> Although they were more developed than the rest and had a fiscal capacity several times larger than an average county in Hunan, these counties were plagued by similar problems.<sup>86</sup>

The collapse of the public firms and the under-development of the private sector have made the economy of Hunan counties very weak and greatly diminished their fiscal capacity, which can be seen in the share of county revenue over the revenue of the entire province. Though 95% of people in Hunan live in counties and 70% of land in Hunan belongs to counties, in 2002, the county share of the total government revenue in the province was only 45%, whereas the provincial government received about 40%. In rich coastal areas such as Zhejiang and Jiangsu, the provincial revenue share was only around 25%.<sup>87</sup> The weakness of Hunan’s economy as a whole can be seen in the limited amount of revenue that it collects. One single industrial park in Suzhou in Jiangsu province generated more than 15 billion yuan of revenue in the early 2000s, whereas the total revenue of Hunan province, including the provincial government, all prefecture-level city governments, and all

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<sup>84</sup> To make a living, laid-off workers in Huaizhou City polished other people’s leather shoes for 1 yuan a pair, opened small restaurants offering hot and numb pots (a type of dish), and pulled rickshaws, including both motorized and non-motorized types. The comment came from an official working for the Bureau of Irrigation of Fenglin District, Huaizhou City, summer 2004.

<sup>85</sup> Changsha County is relatively well-to-do due to its location. It is close to the provincial capital. Liuyang County is famous for its fireworks. Shaodong County is well known in the province for its small private enterprises.

<sup>86</sup> As of 2002, Liuyang’s fiscal capacity was about six times as large as that of Huaiyang and Fenglin, two urban districts of Huaizhou City. Interview with the director of the Fiscal Bureau of Huaiyang District, April 2002.

<sup>87</sup> Interview with a researcher in the Policy Research Office of the Provincial Party Committee of Hunan, Changsha, March 2002.

county governments, was only 36.15 billion yuan in 2001.<sup>88</sup> Moreover, Hunan has 14 prefectures, 72 counties, 16 county-level cities, and 34 county-level districts.

### ***The Fiscal System***

The collapse of the public sector in counties and townships deprived them of their most important revenue source, saddled them with huge amounts of debt, and created mounting new fiscal responsibilities for them. The fiscal system in China, which determines the revenue sources and fiscal responsibilities of each layer of the government, did not help these local governments in Hunan to cope with their fiscal plight. Rather, it exacerbated it. It did not leave the local governments enough revenue while burdening them with responsibilities that are way beyond their means, thus creating a severe mismatch between the fiscal capacity (*cai quan*) and fiscal responsibilities (*shi quan*) of local governments in Central China. This mismatch already existed in the beginning of the 1990s, when the fiscal contract system known as “eating from separate stoves” was first set in place. It became much more serious after 1994, the year when the tax-sharing system (TSS) was established. In the mid and late 1990s, as local governments in Central China were burdened with more and more fiscal responsibilities while having fewer and fewer revenue sources, the fiscal system, which relied on the fiscal principle of self-finance and transferred a large chunk of money from the central government to rich rather than poor provinces, proved to be incapable of meeting the challenges emerging in rural China. Consequently, local governments in Hunan plunged deeper and deeper into debt.

In 1994, China went through a comprehensive taxation and fiscal reform and established a new tax-sharing system (TSS) (*fen shui zhi*). Unlike the fiscal contract

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<sup>88</sup> Ibid.

system that went into effect in the 1980s where each provincial government bargained with the central government every year over how many taxes the province should turn over, TSS established clear and unified rules on how revenues were distributed among different layers of government. TSS also established a central taxation authority, called The State Administration of Taxation (*guojia shuiwu zongju*), thus giving the central government an independent taxation agency for the first time. Before the reform, the central government relied on local governments to collect most taxes and transfer funds to the central government.<sup>89</sup> TSS also continued the practice of the fiscal contract system under which each layer of government was responsible for financing its own expenses. In other words, local governments, when short of funds, could not rely on the central government to bail them out. Thus, TSS was not only a taxation system, but also a fiscal system which determined the distribution of both fiscal resources and fiscal responsibilities among different layers of government.

While the new tax system improved significantly over the previous one, the most serious problem that the system had brought to local governments in Central China was the severe mismatch between their fiscal capacity and fiscal responsibilities. Under the new system, local governments in Central China simply did not have enough money to finance the bureaucracy and their activities. As the public sector collapsed and the economy stagnated, the local government's revenue sources dried up even though its size and fiscal responsibilities expanded dramatically.

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<sup>89</sup> For the 1994 tax reform, see Barry Naughton, "Fiscal and Banking Reform: The 1994 Fiscal Reform Revisited," *China Review 1997* (Hong Kong), 252-276; Christine Wong, "Fiscal Reform in 1994," in *China Review 1995*, ed. Lo Chi Kin, Suzanne Pepper, and Tsui Kai Yuen (Hong Kong: Chinese University Press, 1995); Tsang Shu-ki and Cheng Yuk-shing, "China's Tax Reforms of 1994: Breakthrough or Compromise?" *Asian Survey* 34, no. 9 (Sept. 1994): 769-788 and Pak K. Lee, "Into the Trap of Strengthening State Capacity: China's Tax-Assignment Reform," *The China Quarterly*, no.164 (Dec. 2000): 1007-1024.

### *The TSS Reform in 1994*

The tax-sharing system adopted in 1994 greatly expanded the fiscal power of the central government.<sup>90</sup> It separated all taxes into three categories: fixed central income, fixed local income, and income shared between the central and local governments. In the fixed central income category were taxes that were large and easy to collect, such as custom duties (*guan shui*) and the corporate income tax (*qiye suodeshui*) generated by large profitable SOEs owned by the central government, such as large chemical, petroleum, and steel plants. Fixed local income came from small and insignificant taxes. The two most important types of income shared between the central and local governments were the value-added tax (VAT) and the consumption tax, commonly referred to as “the two taxes” (*liangshui*) by local cadres. Other types of shared income included the resource tax (*ziyuan shui*), the stamp tax (*yinghua shui*), and tax on interest of personal savings.

The value-added tax (VAT) was a new type of tax introduced during the 1994 tax reform. The new tax system borrowed the tax model of western European countries, which relied on the value-added tax, rather than the sales tax. Taxed at a rate of 17%, the value-added tax replaced the previous sales tax (*yingye shui*) and became the most important type of all taxes, accounting for about 80% of all taxes.<sup>91</sup> This is because economic growth in today’s China mostly generates the value-added tax. With the exception of local enterprises (*difang chanye*), which mostly generate local sales tax (*difang yingye shui*), local economic growth, no matter whether it is

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<sup>90</sup> The entire section on the tax-sharing system (TSS) is based on my interviews with fiscal cadres in Hunan from March 2001 to June 2003. Three interviews were particularly helpful, including the interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City (June 2003), interview with the director of the Office of Budgeting in the Fiscal Bureau of Fenglin District, Huaizhou City (May 2003) and interview with the director of the Office of the Fiscal Bureau of Fenglin District (May 2003).

<sup>91</sup> Interview with the director of the Office of the Fiscal Bureau of Fenglin District (May 2003) and with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City (June 2003).

based on the first (*di yi chanye*) or second industries (*di er chanye*), mostly generates VAT and the consumption tax.<sup>92</sup>

***The sharing formula.*** The central government first receives 100% of the consumption tax and 75% of the value-added tax (VAT) from state taxation bureaus and then shares them with local governments. The sharing ratio is 70% vs. 30%. Twenty-five percent of the VAT belongs to local governments. The 75% of the value-added tax and the 100% of the consumption tax are referred to as the two taxes submitted [to the central government] (*shangjiao liangshui*). The two taxes are shared between the local governments and the central government, based on two figures formed in 1993, called “the 1993 basic figures” (*93 jishu*). One was called the tax submission basic figure (*shangjiao jishu*) or two-tax submission basic figure. The other was called the tax rebate basic figure (*fanhuan jishu*) or two-tax rebate basic figure. The tax submission figure referred to a tax quota that a local government had to submit to the central government in 1994. The rebate basic figure referred to the amount of tax rebates that the central government had to give to a local government in 1994. Both figures were based on taxes that local governments collected in 1993, the year before the new TSS went into effect. That was why they were called the 1993 basic figures.

The 1993 two-tax submission basic figure consisted of 75% of the value-added tax and 100% of the consumption tax that a local government collected in 1993. The consumption tax and the value-added tax were two new types of taxes created during the 1994 tax reform. Both were transformed from the sales tax (*ying ye shui*) as a result of the reform. The reform turned some sales taxes into the value-added tax, some into the consumption tax, some into the corporate income tax (*qiye suo de shui*),

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<sup>92</sup> Interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City, June 2003.

while some remained as the sales tax. The 1993 submission basic figure (*shang hua liangshui jishu*) was essentially a tax quota that a local government had to fulfill in later years.

The 1993 two-tax rebate basic figure was derived as follows. First, the central government returned the entire amount of the consumption tax and the VAT to local governments because the two taxes had been local government income before the reform and became central government income after the reform. Second, the central government also returned the revenue from all other taxes that had previously belonged to local governments but were changed to fixed central income due to the tax reform, such as the corporate income tax of locally-run SOEs (*difang jingying qiye*). Third, the central government deducted from the rebate the amount of taxes that had belonged to the central government but were now turned into fixed local income, such as the farmland occupation tax, which used to be shared between the central and local governments.

The two taxes plus other taxes that the central government took away from a local government minus taxes that a local government gained from the central government formed the 1993 tax rebate basic figure. The rebate basic figure was calculated in such a way to ensure that a local government could maintain the fiscal capacity that it had achieved in 1993. Whatever taxes the central government took away from a local government formed the 1993 rebate basic figure, which mostly consisted of the consumption tax and the VAT, minus those taxes that were given from the central government to the local government, such as the farmland occupation tax. In most places, the submission basic figure and the rebate basic figure were almost identical. In Huaizhou City, for example, the rebate basic figure was more than 90% of the submission basic figure.<sup>93</sup>

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<sup>93</sup> Ibid.

These two figures, namely the two-tax submitting basic figure and the two-tax rebate basic figure, formed in 1993, decided how the central government and local governments shared the value-added tax and consumption tax in subsequent years. Specifically, if the amount of the two taxes (100% of the consumption tax and 75% of the VAT) that a local government submitted to the central government in 1994 exceeded the 1993 submission basic figure, then the central government retained 70% of the exceeded amount, and returned to the local governments the basic rebate figure plus 30% of the exceeded amount in 1994. The 30% was further divided among provinces, cities, and counties, with the sharing ratio being 10%, 5%, and 15% respectively.<sup>94</sup> Both the tax submission basic figure and the tax rebate basic figure changed accordingly. The actual two taxes submitted by a local government in 1994 became the new tax submission basic figure for 1995. The 1993 tax rebate basic figure plus 30% of the two taxes that exceeded the 1993 two-tax submission basic figure became the new tax rebate basic figure for local governments for 1995. If, however, the amount of the two taxes submitted by a local government in 1994 fell short of the 1993 basic figure, then the full amount of the shortage was deducted from the two taxes rebate basic figure in 1994. The actual amount of the two taxes collected in 1994 became the new tax submission figure for 1995 and the 1993 tax rebate figure minus a 100% of the shortage became the new tax rebate basic figure for 1995. The actual two taxes submitted by a local government and the actual tax rebates received by a local government in a year became the new tax submission basic figure and the new tax rebate basic figure for the next year.

The following two tables use two hypothetical cases to illustrate this formula numerically. Note that 30% of the “two taxes” that exceed the 1993 submission basic

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<sup>94</sup> Interview with the director of the Budgeting Office of Fenglin District, Huaizhou City (May 2003) and with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City (June 2003).

figure is further divided among provinces, cities, and counties, which is not shown in the tables.

**Table 1.1: Tax-Sharing Formula between the Central Government and Local Governments (unit: 10,000 yuan)**

Year	Two-tax submission basic figure	Two-tax rebate basic figure
1993	5,000	4,800
1994	6,000	5,100
1995	7,000	5,400
1996	6,000	4,400

**Table 1. 2: Tax-Sharing Formula between the Central Government and Local Governments (unit: 10,000 yuan)**

Year	Two-tax submission basic figure	Two-tax rebate basic figure
1993	6,000	4,000
1994	5,000	3,000
1995	6,000	3,300
1996	8,334	4,000

The tax system has not only enabled governments at all levels to tax more but also significantly increased the share of the central government revenue in the national revenue. In other words, it has greatly improved the “two ratios,” which was the original purpose of the reform.<sup>95</sup> This new tax system has successfully centralized government revenues for several reasons. First, all taxes generated by the growth of large and profitable SOEs belong to the central government, as they are now fixed central income. Second, the central government also collects most of the taxes generated by economic growth in local areas since 1993. Economic growth in local

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<sup>95</sup> The two ratios refer to the share of government revenue over GDP and the share of the central government revenue over the national revenue. Interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City, June 2003. Also see Wong, “Can the Retreat from Equality be Reversed?” 14.

areas, particularly those propelled by the growth of the second industry, such as enterprises, mostly generates the value-added tax. TSS enables the central government to collect 70% out of 100% of the consumption tax above the 1993 level and 70% out of 75% of the value-added tax above the 1993 level. Third, as China's economy as a whole has been growing rapidly since 1994, fixed central income and income shared between the central and local governments have also developed rapidly since 1994. The third category of income, fixed local income, on the other hand, has not grown as rapidly since 1994, not only because its number is slow to begin with, but also because these local taxes are small, dispersed, and hard to collect.

Under TSS, the amount of the two-tax rebate that a local government receives from the central government depends on the amount of the two taxes it submits. The faster the economy grows and the richer the area is, the more money the local government receives in tax rebates. The poorer the area is and the less revenue it collects in the two taxes, the smaller are the rebates that the local government receives from the central government. The gap between the rich and poor local governments thus becomes larger and larger. While rich local governments in coastal areas are awash with money, poor local governments in Central and Western China have to live on a "rice budget" (*chifan caizheng*) or even "a beggar's budget" (*yaofan caizheng*).<sup>96</sup>

The problem for counties in Central China was that when TSS was implemented in 1994, their economy had already started to stagnate. In the 1980s, small and medium-sized SOEs in counties and TVEs developed rapidly, which raised the taxation level of local governments.<sup>97</sup> Soon after TSS was carried out, however, the economy slid downhill rapidly. Both SOEs and TVEs had collapsed and the

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<sup>96</sup> These phrases came from local cadres. See also Bernstein and Lu, *Taxation without Representation*, chapter 4 and Jean Oi and Zhao Shukai, "Fiscal Crisis in China's Townships," 75-96.

<sup>97</sup> Interview with the director of the Fiscal Bureau of Huaiyang District, Huaizhou City, April 2002.

private sector was underdeveloped, so counties in Hunan were de-industrialized in the 1990s and became merely grain-producing counties. As a result, counties faced tremendous difficulties collecting enough taxes even to fulfill the 1993 tax submission quotas. Unlike coastal areas, whose two-tax submission basic figure in the early 2000s was several times larger than the 1993 figure, in many counties in Central and Western China, the figure remained at the 1993 level. For example, from 1994 to 2000, the two-tax submission basic figure for all of Huaizhou City, which governs six counties, did not increase at all. Instead, it dropped by a few million yuan. While the figure increased somewhat in several counties, in several others, such as Fenglin District, the two taxes submitted actually slipped down the 1993 level. It was not until year 2000 that the city's two taxes started to increase over the 1993 level, reaching 230 million yuan in 2003.<sup>98</sup>

For these counties in Central China, the 1993 tax submission quota became a huge burden that they nonetheless had to fulfill. Once a county's two submitted taxes dropped below the 1993 level, its rebate level dropped by the entire amount of the shortage. When this happened, the next year, even if the county submitted more taxes, it would get fewer tax rebates, because only 15%, rather than 100% of the increased taxes was returned. As a result, once the rebate level dropped, a county would end up in a situation where it had to submit larger and larger amounts of taxes and yet receive fewer and fewer tax rebates. It took years and many more taxes to return to the original rebate level. Table 1.3 illustrates this point.<sup>99</sup>

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<sup>98</sup> Interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City, June 2003.

<sup>99</sup> This hypothetical case was provided by the director of the Budgeting Office of the Fiscal Bureau of Fenglin District, Huaizhou City in May 2003 during an interview.

**Table 1.3: Tax-Sharing Formula between the Central Government and a County Government (unit: 10,000 yuan)**

Year	Two-tax submission basic figure	Two-tax rebate basic figure
1993	6,000	4,000
1994	8,000	4,300
1995	7,000	3,300
1996	11,667	4,000.05

In addition, it was hard for these counties to fulfill the 1993 tax quota, because the number was inflated. Because the amount of a tax rebate a county received depended on the amount of two taxes that it collected in 1993, many counties in Hunan artificially inflated their two taxes in 1993 so that they could get a larger tax rebate figure. This practice was known as “climbing the stairs” (*shang taijie*), which could involve collecting rear taxes and asking enterprises to pay taxes for several years in advance.<sup>100</sup> Once the economy started to decline in the mid 1990s, however, these tax quotas became a burden on counties in Hunan.

*Self finance and local fiscal responsibilities.* A fiscal system not only delineates the sources of revenues among different layers of government, but also decides the distribution of fiscal responsibilities among different layers of the government. Ever since the early 1980s, the Chinese fiscal system changed from a unified revenue and unified expenditure system (*tongshou tongzhi*), where the income and expenditure of all layers of the government were combined into a fiscal contract system, called “eating from separate stoves” (*fenzao chifan*), which made every layer of the government responsible for its own expenditures. TSS reform in 1994 continued this fiscal principle of self-finance.

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<sup>100</sup> Interview with the director of the Office of Budgeting in Fenglin District, May 2003.

This fiscal principle, called “federalism, Chinese style” by Weingast, Qian, and Montinola, led to the growth of the private sector and TVEs in coastal areas.<sup>101</sup> However, it failed to do so in Central China. Instead, it left the local governments in those areas struggling to make ends meet, borrowing large amounts of money, and unable to provide public goods. These problems first emerged in the 1980s and the early 1990s (Wong 1996, 2007). However, they became much more serious after the TSS went into effect in 1994. While the fiscal capacity of local governments in Central China declined dramatically after 1994, their fiscal responsibilities increased significantly, which resulted in a severe mismatch between the two. As a clear indicator of the fiscal plight of these counties, counties in Hunan did not have enough money to pay salaries to their teachers, not to mention anything else.

### ***Fiscal Plight of Counties***

Among the numerous fiscal responsibilities of counties, none is more onerous than basic education and paying for the salaries of civil servants. “China is among the most decentralized countries in the world as far as paying for local services is concerned,”<sup>102</sup> which can be illustrated best in funding for education. While China as a whole spent less than 4% of its GDP on education in the 1990s and the early 2000s, local governments in Hunan had to spend between 50% and 70% of their revenue on

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<sup>101</sup> For discussions on “Federalism, Chinese style,” see Weingast, Qian, and Montinola, “Federalism, Chinese Style,” 50-81; Barry R. Weingast, “The Economic Role of Political Institutions: Market-Preserving Federalism and Economic Development,” *Journal of Law, Economics and Organization* 11, no. 1 (April 1995): 1-31; Yingyi Qian and Barry R. Weingast, “Federalism as a Commitment to Preserving Market Incentives,” *Journal of Economic Perspectives* 11, no. 4 (Fall 1997): 83-92; Yingyi Qian and Gerald Roland, “Federalism and the Soft Budget Constraint,” *The American Economic Review* 88, no. 5 (Dec. 1998): 1143-1162. For discussions on how the fiscal contract system has encouraged the growth of TVEs, see Jean Oi, “Fiscal Reform and the Economic Foundation of Local State Corporatism in China,” 99-126; Jean Oi, “The Role of the Local State in China’s Transitional Economy,” *The China Quarterly*, no. 144 (Dec. 1995): 1132-1149; Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform* (Berkeley: University of California Press, 1999) and Susan Whiting, *Power and Wealth in Rural China* (Cambridge: Cambridge University Press, 2001).

<sup>102</sup> “Fat of the land,” *The Economist*, March 25, 2006.

basic education. In China, counties, townships, and villages, rather than prefectures, provinces, or the central government, are responsible for the entire expenses of basic education, which includes six years in a primary school and three years in a junior high school. Basic education requires a large amount of investment from the government. For counties in Hunan, fully funding basic education alone takes up more than 100% of the entire government budget. In the 1990s and the early 2000s, a typical county in Hunan usually hired between 6,000 and 10,000 teachers, including retired ones. Each had to be paid between several thousand to 10,000 yuan a year. Thus, an average county in Hunan had to spend about 100 million yuan to pay teacher salaries.<sup>103</sup> The disposable fiscal capacity (*ke yong cai li*) of a county in Hunan was rather small. Even the richest county in Hunan had only a few hundred million yuan of revenue.<sup>104</sup> The entire budget of an average county in Hunan was not even enough to pay teachers their full salaries. For example, in Huxian, which is a lake county, even when the agricultural tax could be collected in full, the disposable fiscal capacity was only between 70 million and 80 million yuan in 2003. But the actual cost of education was more than 100 million yuan a year.<sup>105</sup> In Huaiyang District in 2001, the revenue of the county was a little more than 70 million yuan, whereas the entire education expense for all 5,482 teachers of the district was 77.152 million yuan that year.<sup>106</sup> The

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<sup>103</sup> Interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City, June 2003.

<sup>104</sup> Liuyang, one of the richest counties in Hunan, had 600 million yuan of disposable income as of 2001. Interview with the director of the Fiscal Bureau of Huaiyang District, Huaizhou City, April 2002.

<sup>105</sup> Interview with two cadres in the Rural Tax-for-Fee Reform Office of the Fiscal Bureau of Huaizhou City, June 2003.

<sup>106</sup> *Jiaoyu qingkuang huibao* [A report on the situation of education], written by the Education Bureau of Huaiyang District, Huaizhou City in March 2002. The expenses included teachers' salaries, subsidies, health insurance, and social security.

district appropriated 39.35 million yuan, or 56% of its annual budget on basic education.<sup>107</sup>

Counties in Hunan, therefore, adopt a practice called “signing fiscal contracts” (*caizheng baogan*) in appropriating budgets among different bureaus. This means that a county’s Bureau of Finance only appropriates a fixed amount of money to its bureaus, even though the amount cannot cover necessary expenses. The bureau itself is responsible for the shortfalls. Under this system, education usually takes up 50-70% of a county’s annual budget, which can only pay for 40% of teachers’ annual salaries. Before the rural tax-for-fee reform in 2002, the remaining 60% came from three sources, including tuition (about 10%), an education surcharge levied on peasants and rural students, and education funds levied on rural students (about 50%).<sup>108</sup>

A typical county in Hunan also has dozens of bureaus and employs several thousand civil servants. These are people who eat “the imperial rice” (*chi huangliang*).<sup>109</sup> The large numbers of civil servants and teachers employed by counties reflected bureaucratic expansion at the local level during the market reform, which sped up significantly in the mid 1990s. Not only did the number of teachers and civil servants increase many times in the 1990s, but they also became more expensive for counties to hire because their salaries increased significantly after 1993. Though the central government paid for 80% of the wage increases and counties in Hunan only had to pay for 20%, the counties still struggled to keep up with the wage raises.<sup>110</sup> Therefore, wages to teachers and civil servants alone took up all or most of a county’s

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<sup>107</sup> Interviews with cadres in the Education Bureau of Huaiyang District, Huaizhou City, fall 2001.

<sup>108</sup> Interview with the vice director in charge of budgeting of the Fiscal Bureau of Huaizhou City, June 2003. Interviews with the director of the Rural Tax-for-Fee Reform Office and the director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>109</sup> People on the public payroll.

<sup>110</sup> Interview with the director of the Budgeting Office of the Fiscal Bureau of Fenglin District, Huaizhou City, May 2003.

budget, leaving little for other fiscal responsibilities that a county had to bear. County bureaus survived by borrowing heavily from banks and other sources.<sup>111</sup> It was also an open secret that bureaus embezzled money earmarked for public projects (*zhuanxiang zijin*) partly to survive.

The evidence for the fiscal plight of counties in the 1990s and beyond was abundant. The salary of a county cadre was only about half of a city cadre's.<sup>112</sup> A city cadre's public expenses were at least five times as large as those of a county cadre's. For example, a cadre working for Huaizhou City had 2,000 yuan of public expenses a year, whereas a cadre working for Fenglin District of the city only had 400 yuan of public expenses a year.<sup>113</sup> Very often, county cadres and teachers were not paid salaries or their salaries were reduced. For example, for five years since 1998, Huaiyang District of Huaizhou City deducted one month of salary from all civil servants and teachers. Half of the money was spent on strengthening levees and the other half on workers laid off from SOEs and on the social security fund (*she bao*).<sup>114</sup> Fenglin District, the other district in Huaizhou City, deducted between 50 and 100 yuan from the salaries of civil servants and teachers each year after 1998 for the same purpose.<sup>115</sup> In 1998, the year when its public finance was in the worst shape, partly due to the big flood in Hunan in 1998, Fenglin District did not pay its civil servants or teachers salaries for four months in a row. To maintain stability, the district had to

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<sup>111</sup> Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

<sup>112</sup> Interviews with township and county cadres in Huaizhou, Zizhou, Sishui, and Yuanxiang, 2001-2003.

<sup>113</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

<sup>114</sup> Interviews with cadres in various bureaus in Huaiyang District, April 2002 and summer 2004. Laid-off workers from SOEs and retired workers who did not have pensions received 24 yuan a month as the minimum-living standard fee from the Huaiyang District government.

<sup>115</sup> Interviews with cadres in charge of public finance and social security in Fenglin District, Huaizhou City, 2001-2003.

borrow 50 million yuan from the city that year to pay salaries to teachers and civil servants. As of 2003, it still needed to borrow a few million yuan each month from the city government to pay its teachers and civil servants salaries.<sup>116</sup> Perhaps the clearest indicator of the fiscal plight of counties in Hunan was the huge unmet fiscal obligation that counties had toward the retired workers from SOEs and collective enterprises, laid-off workers, workers severed from their public firms, and workers and urban residents living under the poverty line. As discussed in the section on the fiscal consequences of the collapse of SOEs, it was simply impossible for counties to fund adequately the three social safety-nets, which then led to misery and constant protests from workers, particularly retired ones.

### **Conclusion**

The local government in rural China faced a crippling fiscal crisis in the 1990s. While its fiscal capacity decreased rapidly, the size of the local government increased at least ten times in the 1990s. The ethos of the local bureaucracy became corrupt. Market reform offered ample opportunities for rent-seeking, while the party-state lost effective ways to discipline its bureaucracy. Fiscal crisis and bureaucratic expansion then reduced the local government in rural China in the 1990s into nothing but a greedy grain collector, which is the main argument in this chapter and the next.

This chapter has focused on the fiscal crisis at the county level. Due to the double pressure of competition and corruption, the public sector, including SOEs and collective enterprises in counties, simply collapsed in the 1990s during China's transition to a market economy. The collapse of the public sector not only deprived the county government in Central China of its most important source of revenue, but also saddled it with bad debts. It also left the county government with mounting fiscal

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<sup>116</sup> Interview with the director of the Budgeting Office of the Finance Bureau of Fenglin District, May 2003.

responsibilities that went way beyond its rapidly diminishing fiscal capacity. As hundreds and thousands of workers were either laid off or severed from their work units when the public sector collapsed, the responsibility of providing a basic safety-net for workers shifted from work units to the county government. Further, the economic woes of counties in Central China in the 1990s and the early 2000s were not limited to the public sector, for the private sector in these counties was also underdeveloped. Lagging behind coastal regions by more than a decade in attracting foreign investment and private capital, counties in Central China sank deeper into de-industrialization in the 1990s. They were relegated to economic dependency, providing millions of cheap laborers to rich coastal regions.

Fiscal federalism in China, namely the tax-sharing system (TSS) adopted in 1994, has proved to be inadequate in helping the local government in Central China cope with the new economic situation and meet their fiscal needs. TSS enables the central government to recentralize revenue. It reaffirms the principle of self-finance and makes each layer of the government responsible for its expenditure. This self-finance principle, however, is combined with fiscal decentralization in the provision of local public goods and services. In other words, under TSS, the local government must provide a large share of the total government expenditure. Because the economy of local government in Central China stagnated in the 1990s, counties in Central China simply could not collect enough revenue to finance all their expenditure needs. For these counties, TSS has created a severe mismatch between their fiscal capacity and fiscal responsibilities. As an indicator of their fiscal plight in the 1990s, counties in Central China had difficulties paying salaries to their teachers and civil servants. Finally, TSS also links the amount of two tax rebate that a local government receives from the central government with the amount of two taxes that it submits to the central

government. As a result, a huge gap has emerged between the fiscal capacity of the local government in rich coastal regions and the local government in Central China.

Counties, struggling to meet their financial obligations, transferred their fiscal responsibilities to townships, which are the lowest layer of the Chinese bureaucracy. Townships, facing a fiscal crisis much more severe than that of counties, turned to peasants, the poorest of all and the bottom of society. Thus the stage was set for the rise of the predatory local state.

## **CHAPTER 2: FINANCING LOCAL GOVERNMENT IN RURAL CHINA**

The last chapter discussed reasons for the fiscal crisis and bureaucratic expansion in the 1990s at the county level. This chapter explains why both the fiscal crisis and bureaucratic expansion were even worse at the township level. The fiscal plight of counties was translated into a severe fiscal pressure on townships, whose public finances were unified with counties. Ever since the revenue-sharing system adopted in the 1980s, which established the fiscal principle of self-finance called “eating from separate stoves,” the fiscal relationship between a city and a county has been qualitatively different from that between a county and a township. Because they are two independent fiscal entities, each responsible for its own expenses, a city’s public finances are separate from those of a county. Thus, a city government does not have to tell a county government how many taxes it should collect and how much money it can spend. A county, however, is responsible for the salaries and other public expenses of a township. Thus, most townships in Hunan do not have independent coffers (*jin ku*). They turn in taxes to their counties and in return receive budget appropriations. Townships, sitting at one level below counties, not only have to share their counties’ fiscal plight, but they also have to endure one far more severe than that at the county level.

### **Fiscal System at the Township Level**

#### **Fiscal Contract**

Most counties in Hunan, having tremendous difficulties collecting enough taxes and facing expenditures that outgrew their fiscal capacity very rapidly, transferred their fiscal responsibilities to townships by signing fiscal contracts with

them. In a fiscal contract, a county assigned three types of tax quotas to each township/town, including the state-tax quota (*guoshui*), the local-tax quota (*dishui*), and the fiscal-tax quota (*caizheng shui*). State taxes consisted of the consumption tax (*xiaofei shui*) and the value-added tax (*zheng zhi shui*). Local taxes included sales tax, the pig slaughtering tax, the vehicle usage tax, the personal income tax, the stamp tax (*yinghua shui*) and the property tax (*fangchan shui*). Fiscal taxes referred to four types of agricultural taxes, including the agricultural tax, the special agricultural product tax, the farmland occupation tax, and deed tax (*qi shui*). The latter were called fiscal taxes because it was the responsibility of fiscal cadres (*caizheng ganbu*) rather than either the state-tax cadres (*guoshui ganbu*) or local-tax cadres (*dishui ganbu*) to collect them. Among the four fiscal taxes, the agricultural tax was the largest. In contrast, the farmland occupation tax and the deed tax in Hunan were rather small.

Except for the agricultural tax, the amount of which was fixed in 1958, the state-tax and local-tax quotas were very high.<sup>1</sup> In some townships, the two tax quotas were fixed for a few years. In others, they increased annually at a high rate, such as 10%, even when the economy stagnated. These fiscal contracts were ways for the counties to transfer their fiscal plight to the townships. The tax quotas were determined not by the fiscal capacity of each township but rather by the fiscal needs of the entire county. As the fiscal responsibilities of counties grew rapidly each year, the townships also faced ever-increasing tax quotas regardless of the health of the economy. With no profitable TVEs or thriving private business to fulfill these quotas, townships were forced to purchase taxes (*mai shui*) from elsewhere, paying a high interest rate known as “a case fee” (*ban an fei*) that ranged from 30% to 40%. This

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<sup>1</sup> *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 35.

illegal practice was ubiquitous among townships in Hunan.<sup>2</sup> Though the practice started in the early 1990s, it was limited to a few townships then, and the amount of taxes purchased was not big. Most townships did not have to purchase taxes at that time, because TVEs were performing well, revenue sources were enough, tax quotas were much smaller, and township expenditures were also smaller.<sup>3</sup> As the tax quotas jumped in the mid 1990s and revenue sources dwindled, the practice became more common in Hunan townships.

The agricultural tax was a task (*ren wu*) that a township had to fulfill completely, meaning that it had to turn in the entire amount of the agricultural tax to a county. Townships could not share the agricultural tax with counties. If a township could not collect 100% of the agricultural tax from peasants, it had to use its own money to fulfill its agricultural tax quota. Because peasants refused to pay unreasonable taxes and fees in the late 1990s, especially after 1998, many townships had difficulties even collecting the agricultural tax from peasants. For example, in Liugongwan Township and Wangyuting Town in Huaiyang District of Huaizhou City, the collection rate was only 70-80%.<sup>4</sup> In addition, a 14% surcharge was levied on the agricultural tax. The surcharge was distributed among townships, rural districts, cities, and the province with a ratio of 5:4:3:2.<sup>5</sup> In other words, townships could keep 5% of the agricultural tax surcharge.

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<sup>2</sup> Interviews with rural cadres in Huaizhou, Zizhou, Yuanxiang, Sishui, and Jianglu, 2001-2003.

<sup>3</sup> Interview with the retired director of the Fiscal Office, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>4</sup> Interviews with cadres in Liugongwan Townships and Wangyuting Town, Huaiyang District, Huaizhou City, 2001-2002, summer 2004, and winter 2005.

<sup>5</sup> Interview with the Director of the Office of the Finance Bureau of Fenglin District, Huaizhou City, May 2003. Rural districts were abolished in 1995. See the section entitled "Power of the Local Government and Two Central Policies Gone Awry" in this chapter for details.

State taxes, local taxes and fiscal taxes other than the agricultural tax were subject to sharing between counties and townships. The specific way the taxes were shared varied from county to county and from township to township. However, the common idea behind fiscal contracts, which were widely practiced in Hunan both before and after 1994, was that a county assigned to a township a tax-sharing basic number (*chaoshou fencheng jishu*) and a fiscal-contract expenditure basic number (*baogan zhichu jishu*). If a township did not turn in the amount of taxes required by the tax-sharing basic number, its county would then deduct the difference from the expenditure basic number that it appropriated to the township. If the township turned in more taxes, then the extra amount of taxes would be shared between a county and a township. The sharing ratio was usually 30% (counties) vs. 70% (townships). In some townships, the townships could retain the entire amount of extra taxes, rather than sharing it with their counties.

The tax-sharing basic number refers to the amount of taxes collected by a township that actually went to the county's coffers (*shiji ruku shu*). For several reasons, the amount was much smaller than the three tax quotas (*renwu shu*) stipulated in a fiscal contract between a township and a county. First, only 25% of the value-added tax went to a county. The rest went directly to the central government. Thus, for every 100 yuan of state taxes collected by a township, only 25 yuan counted toward the tax-sharing basic figure.<sup>6</sup> Second, the township had to bear the cost of the tax collection, so the local taxes bureau (*dishui ju*) deducted the collection cost from all local taxes turned in by a township and the county's fiscal bureau deducted the collection cost from the three types of fiscal taxes. The cost of collection varied across different types of local taxes. The highest cost was for collecting the pig slaughtering

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<sup>6</sup> In townships in Hunan, state taxes are equivalent to the value-added tax because the consumption tax is almost zero.

tax (as much as 20%) and the personal income tax. Thus, for every 100 yuan of the pig slaughtering tax that a township turned over to a county, only 80 yuan went to the county's coffers.<sup>7</sup>

Table 2.1 illustrates how the fiscal contract system works. Liugongwan is a township in Huaiyang District, Huaizhou City. Between 1997 and 2001, Huaiyang District assigned to the township a state-tax quota of 230,000 yuan, a local-tax quota of 830,000 yuan and a fiscal-tax quota (excluding the agricultural tax) of 165,000 yuan. Note that the local taxes quota jumped to one million yuan in 2004.

**Table 2.1: Tax Quotas Assigned to Liugongwan Township (unit: 10,000 yuan)**

Year	1996	1997	1998	1999	2000	2001	2002	2003	2004
State Taxes	16	23	23	23	23	23	23	20	20
Local Taxes	71	83	83	83	83.5	83	83	87	100
Fiscal Taxes	16	16.5	16.5	16.5	16.5	16.5	n/a	n/a	n/a
Total Taxes	103	122.5	122.5	122.5	123	122.5	n/a	n/a	n/a

Sources: Interviews with cadres in Liugongwan township in 2002, April 2004, and summer 2004; *Huaiyang qu 1996 nian xiangzhen jiedao yusuan shouru renwu fenpei biao* [Table on the distribution of the budgeted income task among townships and urban street offices in Huaiyang District in 1996]; and *2002 nian yijidu jingchangxiang shouru renwu fenpei biao* [Table on the distribution of income task in the first quarter in 2002]. Both tables were compiled by the Finance Bureau of Huaiyang District.

Table 2.2 lists the amount of taxes that the township collected in the year 2000 and that entered the district's coffers and thus counted toward the tax-sharing basic figure. The percentage in the brackets on the left column was the collection cost.

<sup>7</sup> This paragraph is based on several interviews with a director in charge of finance and commerce of Liugongwan Township in Huaiyang District, March 31-April 2, 2002.

**Table 2.2: Breakdown of Taxes Collected by Liugongwan Township in 2000 (unit: yuan)**

Sales tax (5%)	195,059
Stamp tax (5%)	0
Property tax (5%)	0
Personal income tax (14%)	102,263
Pig slaughtering tax (20%)	356,216
Vehicle usage tax (5%)	9,690
Summary	663,228
State tax (5%)	55,813
Special agricultural products tax (15%)	25,500
Farmland occupation tax (5%)	0
Deed tax (10%)	0
Total	663228+55,813+25,500=744,541

Sources: Interviews with the vice director in charge of finance and commerce of Liugongwan Township, March-April, 2002.

Table 2.3 describes the budget that the township received from the district in 2000. The tax-sharing basic figure for the township in 2000 was 825,000 yuan, and the fiscal contract expenditure basic figure was 535,000 yuan, including 325,000 yuan of wage and office expenses, called “head fees” (*rendou jingfei*) and 210,000 yuan of bonus, called “above-figure shared income” (*fencheng shouru*).<sup>8</sup> Note that the tax-sharing basic figure (825,000 yuan) was much smaller than the three tax quotas, which were 1.23 million yuan in 2000.

<sup>8</sup> See table 6 in this chapter on the distribution of the 325,000 yuan among different township agencies.

**Table 2.3: Fiscal Contract and Budget Appropriation in Liugongwan Township in 2000 (unit: yuan)**

Taxes submitted	744,541
Tax-sharing basic figure	825,000
Above basic figure amount	-80459 (744,541-825,000)
Fiscal contract expenditure basic figure	535,000
Budget appropriation	454,541 (535,000-80,459)
Amount actually appropriated	325,000
Amount not appropriated	129,541*

Sources: Interviews with the vice director in charge of finance and commerce of Liugongwan Township, March-April, 2002.

\*The district appropriated 129,541 yuan less than the township should have received based on the fiscal contract. The township purchased taxes in 1998, which was disclosed to the district. As a result, the township only collected more than 400,000 yuan of taxes in 1998, a figure significantly below the three taxes quotas of 1.225 million yuan. The district, rather than deducting the entire difference from its budget appropriation to the township, still appropriated basic salaries to the township. The township was still paying back the district in 2000.

### **Tax-Sharing**

In a few cases in Hunan, counties shared taxes (*fen shui*) with townships, instead of signing annual fiscal contracts with them. Rather than turning all taxes to a county and then receiving a budget from the county, these townships had their own coffers (*jin ku*) and only needed to turn in a certain amount of taxes to their county. In return, the townships were responsible for their own expenditures and the counties no longer appropriated a budget to them.<sup>9</sup>

The central government shared taxes with local governments through the tax-sharing system (TSS) by dividing taxes into three kinds, including taxes that completely belonged to the central government, taxes that were shared by the central and local governments, and taxes that completely belonged to a local government. In the same vein, counties shared taxes with townships by dividing taxes generated in these townships into three kinds: the county's income, income shared between

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<sup>9</sup> This section is based on interviews that I carried out with both the serving director and the retired director of the Finance Office of Dongxingyuan Town, Yuanxiang County and with the director of the Rural Tax-for-Fee Reform Office of the same town, Oct. 2002.

counties and townships, and the township's income. Dongxingyuan Town in Yuanxiang County, for example, switched from the fiscal contract system to the tax-sharing system in 2000.<sup>10</sup> Under this system, the town turned in 100% of state taxes (the value-added tax) to the county. It shared some large local taxes, such as the sales tax (*yingye shui*), with the county, so that each side kept 50%. It kept 100% of smaller local taxes, such as the property tax (*fang chan shui*) and the stamp tax (*yin hua shui*).

Similar to a fiscal contract, there was a minimum state tax amount (state-tax basic figure) and local taxes (local-tax basic figure) that the town had to turn in to the county. In Dongxingyuan Town, the two basic figures were determined in 2000 when the system was established. The county first assigned a minimum amount for state and local taxes that the town needed to turn in, which was the total tax amount (*zong renwu*) that the town needed to turn over to the county. The county then deducted from that amount the salaries and public expenditures for town cadres listed on the 2000 organizational book (*bian zhi*) of the town, which included 57 fully-funded cadres.<sup>11</sup> The numbers thus derived then became the two basic figures for the town under the new tax system. Because the town had its own coffers under this system, the county no longer appropriated a budget to the town, except for fully-funded college graduates employed by the town after 2000 and raises in salary after that time.<sup>12</sup>

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<sup>10</sup> Dongxingyuan is one of the two towns out of a total of 37 townships/towns in Yuanxiang County since 2000 that have been sharing taxes rather than signing an annual fiscal contract with the county. Interviews with town cadres in Dongxingyuan Town, Oct. 2002.

<sup>11</sup> The number of cadres listed on the organizational book (*bian zhi*) is a different concept from the actual number of cadres employed by a township. The former is much smaller than the latter because many township cadres are not listed on the organizational book at all. In Dongxingyuan Town, the county was only willing to appropriate a budget for 57 cadres, even though the town employed more than 100 cadres. See the section on bureaucratic expansion at the township level in this chapter for more details. For discussions on the organizational book (*bian zhi*), see Andrew Mertha, "China's 'Soft' Centralization: Shifting *Tiao/Kuai* Authority Relations," *The China Quarterly*, no. 184 (Dec. 2005): 791-810 and Kjeld Erik Brodsgaard, "Institutional Reform and the Bianzhi System in China," *The China Quarterly*, no. 170 (June 2002): 361-86.

<sup>12</sup> This was because the county had already appropriated wages and public expenditures for cadres employed by the town in 2000 through deducting the amount from the total tax task of the town.

Once the two tax basic figures were decided, the reward and punishment mechanism in the tax-sharing system was the same as in a fiscal contract system. Under the tax-sharing system, the town submitted (*shang jie*) all state taxes and the county's portion of local taxes to the county, such as 50% of the sales tax, several times each month. If at the end of the year, the state taxes and local taxes submitted by the town reached or exceeded the state-tax basic figure and the local-tax basic figure, then the town received as a bonus 12.5% of the state taxes and a certain percentage of the local taxes, like 20% or 30%.<sup>13</sup> However, if the town did not fulfill either of the basic figures, the county would deduct the same amount from the money it appropriated to the town. As mentioned above, though the county no longer appropriated wages and public expenses for cadres employed by the town in 2000, it still appropriated to the town increased salaries (*gongzi zhui jia*),<sup>14</sup> salaries for those employed by the town after 2000 who were fully-funded by the county (*quan er bo kuan*), and other money, such as transfers and subsidies from higher levels of government.<sup>15</sup> Therefore, the county still had a tremendous amount of fiscal leverage

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<sup>13</sup> The exact percentage cannot be found in my interview transcripts.

<sup>14</sup> Since 1993, China increased the salaries of civil servants and teachers several times. In Central China, the central government financed 80% of the increased salaries, while the local governments were only responsible for the remaining 20%. Interviews with township and county fiscal cadres in Huaizhou, Yuanxiang, Zizhou, Sishui, and Jianglu, 2001-2003.

<sup>15</sup> In the Chinese fiscal system, each layer of the government only deals with the layer that is immediately above it. Thus, a township receives all its rebates and transfers (*zhuan yi zhifu*), such as the two-tax rebate (*liangshui fanhuan*), the increased-wage transfer, the social-security transfer, and the rural tax-for-fee reform transfers from the county, even though all these rebates and transfers come from the central government. A township also receive subsidies (*bu zhu*), which can come from four different sources (the central government, the province, the prefecture-level city, and the county) from its county. Interviews with fiscal cadres at all four levels of the local government (the province, the city, the county, and the township) in northern and central Hunan, 2001-2003.

over the town under the tax-sharing system and made sure that the town fulfilled its tax obligations toward the county.<sup>16</sup>

### **Purchasing Taxes**

In both the fiscal contract system and the shared-tax system, the tax quotas that counties assigned to their townships/towns were simply too high.<sup>17</sup> With collapsed TVEs and an under-developed private sector, revenue sources in townships dried up. Tax quotas, on the other hand, jumped significantly. In many townships, tax quotas increased at an annual rate of 10% beginning in the mid 1990s. Dongxingyuan Town, Yuanxiang County, for example, had to turn in 1.8 million yuan of state taxes and 2.08 million yuan of local taxes in 2002. The town, however, did not have a single profitable township-owned enterprise.<sup>18</sup> Qingcaotang Town, Huaiyang District had to turn over 1.42 million yuan of state, local, and fiscal taxes to the district in 2002. The town, however, only had four not-so-profitable village enterprises, one private firm, and fewer than 30,000 *mu* of farmland. Zhoukou Town in the same district had to turn over 756,000 yuan of three taxes in 2002. It did not have a single profitable enterprise and had at most half a million yuan of actual taxes.<sup>19</sup> The increase of tax quotas was not only huge, but also arbitrary. For example, the local taxes quota for Liugongwan

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<sup>16</sup> The above explanation of how a county and a township shares taxes is based on my interviews with both the retired and the current director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County in October 2002.

<sup>17</sup> This section on purchasing taxes is based on my interviews with township cadres in Yuanxiang, Zizhou, Huaizhou, and Sishui, 2001-2003. On the fiscal crisis of townships in China and the phenomenon of purchasing taxes, see Jean Oi and Zhao Shukai, "Fiscal Crisis in China's Townships: Causes and Consequences," in *Grassroots Political Reform in Contemporary China*, eds. Elizabeth Perry and Merle Goldman (Cambridge, MA: Harvard University Press, 2007), 75-96.

<sup>18</sup> Interview with the director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>19</sup> Interviews with the director of Economics and Commerce Committee of Huaiyang District and a cadre of the State Taxation Bureau of Huaiyang District, April 2002.

Township suddenly jumped from 870,000 yuan to 1 million yuan from 2003 to 2004, when its tax revenue actually shrank after the rural tax-for-fee reform implemented in 2002. The reform abolished the pig slaughtering tax, which used to be a major source of local taxes for the township (see table 2.2). In 2004, the reform abolished the special agricultural product tax, except for the tobacco tax, so the township lost another source of income. The township collected 127,450 yuan of the special agricultural product tax in 2001.<sup>20</sup>

To fulfill these tax quotas, many townships in Hunan were forced to purchase taxes (*mai shui*), which was illegal but widely practiced in Hunan. Liugongwan Township, for example, had to turn over 1.2 to 1.3 million yuan of taxes to Huaiyang District (see table 2.1). In the early 1990s, the township had several highly profitable enterprises, such as an elevator factory and a light bulb factory. All of them collapsed in the mid to late 1990s. Tax quotas, however, did not drop. The township could only collect about 300,000 yuan of taxes, so it had to purchase about 1 million yuan of taxes each year.<sup>21</sup> The interest rate for taxes purchased ranged from 30% to 40%.<sup>22</sup> Thus, the township had to spend more than 400,000 yuan each year simply to purchase taxes. The township could only share 210,000 yuan with the district when it fulfilled all the tax quotas.<sup>23</sup> As a result, the fiscal contract added more than 200,000 yuan of debt each year to the township.<sup>24</sup>

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<sup>20</sup> The number is taken from a table entitled *Liugongwan xiang ge cun (chang) nongye techanshui ji nongye techanshui fujia renwu* [Quotas of the special agricultural product tax and its surcharge for all villages (farms) in Liugongwan Township] compiled by the Liugongwan Township government in April 2001.

<sup>21</sup> Interview with the director of the Office of Liugongwan Township, Nov. 2001.

<sup>22</sup> Interviews with township cadres in Huaizhou, Zizhou, and Yuanxiang, 2001-2003.

<sup>23</sup> The shared income is what a township gets on top of basic salary appropriation. A county shares income with a township when it fulfills the tax-sharing basic figure.

<sup>24</sup> Interviews with the vice director in charge of finance and commerce of Liugongwan Township, March-April, 2002.

Purchasing taxes first appeared in townships in Hunan in the early 1990s, before the implementation of the tax-sharing system (TSS) in 1994 and the consolidation of townships in 1995, two policies that significantly worsened the financial situation of townships.<sup>25</sup> Dongxingyuan Town, for example, purchased some taxes in 1993, the year when its fiscal situation was at its healthiest.<sup>26</sup> In the early 1990s, purchasing taxes was still rare and the amount of taxes purchased was small. In the latter half of the 1990s, however, purchasing taxes became ubiquitous in Hunan and the amount purchased was large. Taxes were usually purchased from rich entrepreneurs from outside the township. Instead of paying taxes to their own local governments, these entrepreneurs agreed to pay taxes to the townships who wanted to buy taxes from them, but charged interest rates called “case fees” (*ban an fei*) of as high as 30-40% of the amount purchased.<sup>27</sup> To be able to purchase taxes, township cadres were then forced to entertain rich businessmen and cultivate relationships with them.

### **Collecting Local and Fiscal Taxes**

In addition to purchasing taxes, township cadres also spent much energy collecting taxes, particularly local taxes. Among the three types of taxes (state, local, and fiscal), the state tax was the easiest to collect, since there were only a limited number of taxpayers and there was usually one type of tax—the value-added tax to collect. Local taxes, however, consisted of numerous types and they were dispersed.

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<sup>25</sup> For details on how the consolidation of townships brought financial havoc to townships, see the section entitled “Power of the Local Government and Two Central Policies Gone Awry” in this chapter.

<sup>26</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Oct. 2002.

<sup>27</sup> The case fees were sometimes paid in the form of tax evasion. For example, if these entrepreneurs needed to turn in a million yuan of taxes, they would only agree to pay 600,000 or 700,000 yuan. See Oi and Zhao, “Fiscal Crisis in China’s Townships,” 75-96.

More importantly, tax collection laws in China empowered the state and local taxation bureaus, rather than the local governments, to collect state and local taxes. Fiscal contracts, however, were signed between counties and township governments, rather than between counties and the state taxation office (*guoshui suo*) or the local taxation office (*dishui suo*) in townships. This obligated township governments, rather than taxation agencies in townships, to turn in the required tax amounts. Township governments, however, did not have the right (*bushi zhixing zhuti*) to collect either state or local taxes.<sup>28</sup> The right belonged to the two offices, which did not answer to local governments. The State Administration of Taxation (*guojia shuiwu zongju*), which answered directly to the central government, was in charge of state taxation bureaus. Local taxation bureaus answered to provincial governments.<sup>29</sup> Neither a city (prefecture-level), a county, nor a township had the right to administer (*guan xia*) taxation bureaus or agencies.<sup>30</sup> This created an odd situation where townships had the responsibility to fulfill the tax quotas, but did not have the right to collect taxes. Local tax agencies had the right to collect taxes but did not have to shoulder the responsibility of fulfilling tax quotas. To make sure that local tax agencies collect enough taxes, townships had to try all means to help them out, such as giving them bonuses.<sup>31</sup>

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<sup>28</sup> It is not clear to me from my fieldwork transcripts why township government cadres ended up spending so much energy collecting local taxes if they did not have the power or the right to do so.

<sup>29</sup> Since 1998, China has centralized a series of agencies, including “administrative regulation, financial regulation and commodities management” (Mertha 2004, 793-94) and turned them into line agencies (*tiao*) under the leadership of the provincial government rather than piece agencies (*kuai*) under the leadership of the local government. See Mertha, “China’s ‘Soft’ Centralization,” 791-810.

<sup>30</sup> Interview with the director of the Office of the Finance Bureau in Fenglin District, Huaizhou City, May 2003.

<sup>31</sup> This paragraph is based on interviews with fiscal cadres in townships and counties in northern and central Hunan, 2001-2003. Three interviews were particularly helpful, including interviews with both the retired and the current director of the Finance Office of Dongxingyuan Town, Yuanxiang County in Oct. 2002 and interview with the director of the Office of the Finance Bureau of Fenglin District, Huaizhou City, May 2003.

Though the fiscal taxes quota was small, it was hard to collect them for three reasons. First, fiscal taxes were small yet spread throughout the entire township. Second, people could be taxed for 365 days a year. Third, if peasants refused to turn in the taxes, township cadres did not have the right to force them to do so. Only the court had that right.<sup>32</sup>

If tax quotas were too high and unreasonable, why did townships go all the way to fulfill them? Could the townships not simply ignore them? The answer was no. No matter how much it cost them financially, townships would always fulfill these quotas; otherwise, it would cost the party secretary--the township's boss-- his or her political career. At the very least, the party secretary would receive a yellow-card warning (*huangpai jinggao*) that would end any chances for promotion. (S)he could even be dismissed on the spot (*jiudi mianzhi*), for the tax issue carried with itself a veto power (*yipiao foujue*).<sup>33</sup> In China, higher level cadres determine the political career of local cadres, as local bureaucrats are appointed by higher levels of government. In order to climb the bureaucratic ladder, a township party secretary, whose immediate goal is to become a county cadre, would carry out orders from above.<sup>34</sup>

Second, townships could not but turn in these taxes. The only way for townships to receive more budget appropriations from counties was to turn in more than the tax-sharing basic figure and then receive a percentage of the extra amount.

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<sup>32</sup> Interview with the retired director of the Finance Office in Dongxingyuan Town, Yuanxiang County, Oct. 2002. He obviously spoke from the perspective of a town cadre, rather than that of a peasant. See chapter 3 and 4 for peasant views on rural taxes and fees.

<sup>33</sup> Interviews with fiscal cadres in townships/towns in Huaizhou, Yuanxiang, and Zizhou, 2001-2003.

<sup>34</sup> On the cadre management system in China, see O'Brien and Li, "Selective Policy Implementation in Rural China," 167-186; Susan Whiting, *Power and Wealth in Rural China: The Political Economy of Institutional Change* (Cambridge: Cambridge University Press, 2003), chap. 3; and Maria Edin, "Remaking the Communist Party-State: The Cadre Responsibility System at the Local Level in China," *China: An International Journal* 1, no. 1 (March 2003): 1-15.

The fiscal penalty of not fulfilling the tax quotas for a township was to have its budget appropriation reduced. Whenever this happened, it was as if salt was rubbed into a wound, for a township's budget, even when fully appropriated, could only cover a small percentage of its expenditure needs. The fiscal plight of townships and the importance of fulfilling the tax quotas can be seen from the following remarks made by a fiscal cadre of Liugongwan township, Huaiyang District in his report to the annual meeting of the township people's representatives.:

Everybody must realize that without taxes there is no income. If we do not fulfill the tax quotas, we will have no income and thus no money to spend. If we do not highly motivate ourselves to collect taxes and do not realize the importance of taxation, we may not be able to get our salaries. We will have no rice to eat. We can only drink the northwestern wind.<sup>35</sup>

## **Bureaucratic Expansion**

### **Why Bureaucratic Expansion?**

Counties cannot fully fund townships for the simple reason that local governments have been bloated out of proportion since the 1990s. The Chinese state has not shrunk during its economic reform. Rather it has expanded so much so that it has become increasingly difficult for local governments in Central China to pay for the wages of civil servants and teachers. As mentioned in chapter 1, the budget of local governments in Central China is characterized as “a rice budget” (*chifan caizheng*) or “a beggar's budget” (*taofan caizheng*).<sup>36</sup>

Each county in Hunan now has close to 10,000 teachers and several thousand civil servants, not counting cadres who are partially funded or self-funded. This “state

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<sup>35</sup> A Report to the Annual Meeting of the Township People's Representatives on the Implementation of the 1997 Budget of Liugongwan Township, Dec. 1997. To drink the northwestern wind means to starve.

<sup>36</sup> See Bernstein and Lu, *Taxation without Representation*, chap. 4.

sprawl” (Shue 1995) happens at both the county and township level. However, it is much more severe at the township level. From the 1980s to the 1990s and beyond, the number of cadres hired by a county bureau increased several times. The Fiscal Bureau of Sishui City, for example, hired 13 or 14 cadres in 1984. In 2001, the number increased to around 80.<sup>37</sup> The number of county bureaus also increased dramatically. Yuanxiang County had more than 70 bureaus as of 2002, whereas it only had a few several decades ago.<sup>38</sup> If each bureau hired 80 cadres, it would make the number of civil servants at the county level alone of an average county in Hunan close to 6,000. The number of cadres hired by one typical township in Hunan increased 10 times, expanding from about a dozen in the era of the People’s Communes to more than 100, as can be seen in the following table.<sup>39</sup>

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<sup>37</sup> Sishui is a county-level city. Interview with a cadre in the Fiscal Bureau of Sishui, Dec. 2001.

<sup>38</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002. This number, though provided by peasants, was remarkably similar to the number provided by the party committee of Yingshan County. In that county, the number of bureaus increased from 9 in 1949 to 41 in 1980, 52 in 1984 and 71 in 2001. See Xu Yong, “Xiangcun zhili jiegou gaige de zouxiang” [Ways to reform the structure of rural governance], *Zhanlue yu guanli* [Strategy and management], 2003, no. 4:90-97.

<sup>39</sup> Interviews with peasants and rural cadres in Hunan, March 2001-June 2003 and summer 2004. See also Lu, “The Politics of Peasant Burden in Reform China,” *Journal of Peasant Studies* 25 (Oct. 1997): 128. The number I have just provided here is much smaller than the number provided by Wen Tiejun, a prominent researcher on rural China. According to Wen, as cited in Bernstein and Lu (2003, 10), the number of cadres in an average township increased from 8 in the early 1980s to 30 in the late 1980s and to 300 as of 2000. In advanced towns, the number was a stunning 800 to 1,000. The *Economist* article, “And There’s Another County,” on Dec. 13, 2001 also argues that “since the mid-1980s, the average number of civil servants per township government has increased tenfold, to about 300.” The reason for this discrepancy is likely due to how we define township cadres. My number does not include cadres from self-funded township agencies, such as a water management station. Adding the number of cadres in this agency alone will increase my number by a few dozen people.

**Table 2.4: Number of Cadres Employed by Townships in Hunan**

Township Name	Number of Cadres	Year
Qingpu Town, Zizhou County	More than 150	2001
Cangyuan Town, Yuanxiang County	Around 150	2002
Dongxingyuan Town, Yuanxiang County	130	2002
Wangyuting Town, Huaiyang District	More than 110	2001
Liugongwan Township, Huaiyang District	108	2004

Sources: Interviews in Hunan, 2001-2003; summer 2004.

The number of cadres in Cangyuan Town, Yuanxiang County increased from 13 during the collectivist period to more than 40 in the 1980s and then to more than 150 as of 2002.<sup>40</sup> In Wangyuting Town, Huaiyang District, the number of cadres increased from 17 in 1958 and 1964-1965 to more than 110 as of 2001. The number of township offices and agencies has also increased. The family planning office, for example, was newly created in the early 1990s. Each office or agency in a township has hired more people than before. For example, the public security office in Wangyuting Town used to have only one cadre in the collectivist era. In 2001, it hired seven. The town used to have only one cadre in charge of finance. In 2001, it hired eight.<sup>41</sup> The most glaring example of overstaffing that I know happened in a town in Hubei province. Based on a report from *Nanfang Zhoumo*, a popular newspaper in China, the fiscal office of the town alone employed more than 200 cadres. The same office in an average township in Hunan usually employed close to 10 cadres.

Bureaucratic expansion at both the county and township level since the 1990s and the early 2000s reflects large political, economic, and demographic trends in Central China. The sheer size of the Chinese population means that the market and the Chinese government at all levels face a constant and severe employment pressure that

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<sup>40</sup> Interview with a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>41</sup> Interview with the Party Secretary of Hetang Village, Wangyuting Town, Huaiyang District, August 2001.

cannot be matched by any other country, with the possible exception of India. While this employment pressure is constant across the entire county, in Central China, unlike China's rich coastal provinces, the pressure is borne largely by the government, for there are few job opportunities in the economy.

Economically, bureaucratic expansion in Hunan reflects the collapse of SOEs and collective enterprises and the under-development of the private sector. As industries collapse, government agencies and public schools become the only place where college graduates can find jobs. The under-development of the private sector and the uncertainty and brutality of a market economy make most state employees and teachers stick to their jobs, no matter how meager their wages are. After all, only the young and those with skills, diplomas, and connections can find good jobs in the market. Poor places can ill afford huge numbers of cadres. However, it is precisely in these places where local bureaucracies are the largest, as the pressure for the local governments to hire cadres is the most severe, thus creating a vicious cycle that is hard to break.

Politically, bureaucratic expansion reflects the double pressure faced by a socialist state going through a market-oriented economic reform. The socialist system supports over-employment.<sup>42</sup> The socialist element of the Chinese state obliges the state to find jobs for certain types of people within its large population, including college graduates, repatriated soldiers, and unemployed urban youths (*daiye qingnian*). Up to 1998, college graduates in China were still guaranteed a job. In 1996, 1997, and 1998, the last three years when college graduates were guaranteed a job by the state, townships in Hunan had to hire many of them. As a result, the size of townships ballooned. When soldiers return to their hometowns after serving in the

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<sup>42</sup> I would like to thank Professor Bunce for suggesting this argument to me.

military, the state gives them the right to demand jobs from the local governments. Much like college graduates, the pressure to find soldiers jobs is again transferred from counties to townships, which have to hire repatriated soldiers if the counties tell the townships to do so.

The market reform led by the one party-state, on the other hand, has destroyed the public sector and eroded the integrity of the political system. The Chinese state has found it hard to re-establish political accountability in the age of reform. This difficulty has been translated into a bloated bureaucracy. Those with connections to the local government try any means they can to secure themselves a spot on the organizational book (*bianzhi*) of local governments so that they can eat “the imperial grain” (*chi huangliang*). Just as each new county party secretary hires numerous people when (s)he has the power, each new township party secretary brings with him- or herself new cadres. As a township party secretary rarely remains in a township for more than one term, the number of township cadres has kept increasing since the mid 1990s.<sup>43</sup>

Because townships sit at the very end of China’s multi-layered bureaucracy, they are more likely than any other level of the government to be bloated out of proportion. A township’s position on the bureaucratic ladder not only determines its political weakness, which creates the tendency for townships to expand, but also the unique feature of township cadres: they are only one step away from peasants. This feature makes it very hard to streamline a township.

The political weakness lies in the fact that townships very often have to hire cadres against their own will. The pressure to hire more cadres usually comes from counties, rather than from townships themselves. When a county decides that a

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<sup>43</sup> One term for the party secretary of a township lasted three years in the 1990s.

township should hire a person as a cadre without appropriating more funds for the hire, a township cannot go against the decision. Because county agencies are already overcrowded, the pressure to hire cadres is borne by townships, which have to accept the new hires even if the cadres are forced on them.

While cadres at higher levels can still get a job in lower level agencies during bureaucratic streamlining, township cadres do not have this option. A township is the lowest level of the bureaucracy. If a township cadre loses his or her job, s/he stops being a state employee and becomes a peasant or somebody even lower than that, a person with neither a job nor a piece of land. As a result, the struggle to survive and to stay on the job is particularly fierce at this level, which makes it very difficult to streamline this layer of the bureaucracy.

### **Composition of Township Employees**

A typical township in Hunan employs more than 100 people, including cadres, staff members, and temporary workers.<sup>44</sup> Cadres are further divided into two types, those on the organizational book (*bian zhi*) and those not on it.<sup>45</sup> An organizational book is the basis for budget appropriation. A county appropriates funds to a township based on the number and types of cadres on the organizational book. Cadres, whose names are not on the organizational book, do not receive funds from the county at all. Those on the organizational book are again divided into administrative cadres (*xingzheng ganbu*) who are on the administrative organizational book (*xing zheng bian*) and social affairs cadres (*shiye ganbu*) who are on the social affairs

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<sup>44</sup> This section is based on interviews with township and county cadres in Yuanxiang, Zizhou, Huaizhou, and Sishui, 2001-2003.

<sup>45</sup> For an explanation of the organizational book, see Mertha, "China's 'Soft' Centralization," 791-810 and Kjeld Erik Brodsgaard, "Institutional reform and the Bianzhi system in China," 361-86.

organizational book (*shiye bian*). Social affairs cadres are further divided into two types: those who are treated like civil servants and those who are not.

Ever since the civil servant reform in China in the mid 1990s, cadre wages and benefits have been determined by whether they can be categorized as a civil servant or not.<sup>46</sup> Administrative cadres are civil servants. Social affairs cadres are not. However, some social affairs cadres are treated like civil servants.<sup>47</sup> Administrative cadres and social affairs cadres treated like civil servants are fully-funded by a county, meaning a county appropriates their basic salaries plus a few hundred yuan a year of office expenses. These two types of cadres, together with teachers in a county, are called “people who eat the imperial grain” (*chi huang liang*), since their wages and benefits are financed by the local governments.

Thus, among all the people employed by a township, only administrative cadres and social affairs cadres treated like civil servants are fully-funded by a county. Their number is very small. For example, Liugongwan Township had 108 cadres as of 2004 (see table 2.4). Only 40 were fully-funded.<sup>48</sup> Dongxingyuan Town had 130 cadres as of 2002 and only 48 were fully funded (see table 2.4).<sup>49</sup>

Most social affairs cadres in a township are not treated like civil servants. They receive either a fixed-amount budget allocation (*ding er bokuan*), a difference-amount budget allocation (*cha er bokuan*), or none whatsoever.<sup>50</sup> The last category is called

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<sup>46</sup> In spite of the civil servant reform, township cadres in Hunan still distinguish themselves by whether they are administrative cadres or social affairs cadres.

<sup>47</sup> The Pinyin for this practice is “*canzhao gongwuyuan guanli*.” Interviews with the retired director of the Finance Office of Dongxingyuan Town, Yuanxiang County (Oct. 2002), a cadre in the Office of the Finance Bureau of Fenglin District, Huaizhou City (May 2003), and the director of the Bureau of Economic Management of the same district (June 2003).

<sup>48</sup> Interviews with cadres in Liugongwan Township, Huaiyang District, 2002 and summer 2004.

<sup>49</sup> Interviews with cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>50</sup> For township cadres who receive a fixed amount of budget allocation, a county only appropriates a fixed amount of salary to them. For those who receive difference budget allocations, a county will not

self-funded cadres (*zichou zizhi*). Cadres with both fixed-amount and difference-amount budget allocation are only partially-funded by a county. They receive little money from the county, ranging from a few hundred to a few thousand yuan a person a year. Most cadres employed by a township belong to this category.

Both the self-funded social affairs cadres and those township cadres who are not on the organizational book (*mao bian*) of a county receive absolutely no funding from a county.<sup>51</sup> Every township in Hunan employs many more cadres than stipulated by the organizational book (*bianzhi*). In other words, there are many township cadres who, though officially recognized as cadres, do not have a spot on the organizational book. This phenomenon, called severely exceeding the organizational book (*yanzhong chaobian*), though common within the entire Chinese bureaucracy, affects local governments in poor areas, such as counties and townships in Hunan, much more than either the central government or local governments in rich coastal areas.

Severely exceeding the organizational book occurs because while the organizational book of a township is fixed by its county, which has to follow some national guideline, the number of cadres actually hired by a township is largely determined by a county, which, in this case, does not have to follow a national guideline. The size of a town government in the organizational book is usually fixed at a few dozen cadres. However, a person can become a township cadre if approved by a county's Planning Commission, the Personnel Bureau, and the Department of

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appropriate their salaries in full, but only partially. Both receive low budget allocations from a county. However, it is my impression that the amount of a difference budget allocation (*cha er bokuan*) is higher than that of a fixed-amount budget allocation (*ding er bokuan*).

<sup>51</sup> “*Mao bian*” is in Hunan dialect. It is “*meiyou bian*” in Mandarin. Though both self-funded social affairs cadres (*zichou zizhi shiye bian*) and cadres not on the organizational book (*mao bian de ganbu*) are funded the same way, they are two different concepts. Usually a slot on the organizational book entitles a cadre to some funding from a county. It is only due to the financial plight of counties in Hunan that many social affairs cadres on the organizational book are not funded. A cadre who is not on the organizational book is, by definition, not entitled to any funding from a county.

Organization (*zuzhi bu*).<sup>52</sup> Thus the number of cadres employed by a township and the organizational book of a township are two different concepts. In the words of one town cadre, “The organizational book (*bianzhi*) is one thing. How many cadres are employed here (in a township) is a completely different one. The number of cadres (in a township) is mostly determined by its county.”<sup>53</sup>

Because the organizational book is the basis for budget appropriation, cadres not on the organizational book become a financial burden for a township. Counties, facing pressure to find jobs for repatriated soldiers, college graduates, and people with connections, assign many cadres without a slot on the organizational book to townships. This was particularly true from 1996 to 1998, the last three years when college graduates were still guaranteed a job. Yuanxiang County, for example, made Dongxingyuan Town hire many college graduates during those three years. These cadres had the special title of “cadres appointed to villages” (*daocun renzhi ganbu*).<sup>54</sup> They are completely funded by the town.

In addition to cadres, a township also hires staff members, who are only supposed to do maintenance jobs. Some townships, however, hire staff members as cadres and pay them cadre wages, which are significantly higher. This practice is called “substituting staff for cadres (*yi gong dai gan*).” Staff members are completely funded by a township.

Finally, a township also employs many temporary workers (*linshi gong*) and contract workers (*hetong gong*). These are not cadres. They can be hired and fired by a

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<sup>52</sup> If one is a communist party member, then (s)he has to be approved by the Department of Organization before (s)he can become a township cadre.

<sup>53</sup> Interview with the retired director of the Finance Office in Dongxingyuan Town, Yuanxiang County, October 2002.

<sup>54</sup> Ibid. Though hired as township cadres appointed to villages, none of these cadres worked in a village. Everybody stayed in the town.

township, with no need to receive permission from a county. At the beginning of 2005, when I last did my fieldwork in China, these were the only people that townships succeeded in firing during several rounds of bureaucratic streamlining efforts. All cadres, both those with and without a spot on the organizational book, even staff members, stayed on.

### **The Bureaucratic Skeleton**

As indicated by the large number of cadres and staff they employ, the township has grown from a simple organization in the era of the People's Communes to an elaborate and chaotic bureaucratic structure that has gone through constant bureaucratic reshuffling since the 1990s. The township government consists of the Party Committee (*dangwei*), the Township Government (*zhengfu*), the local People's Congress (*renda*), the local People's Political Consultative Conference (*zhengxie*), and the three mass organizations, including the Workers' Union (*gong*), the Communist Youth League (*qing*), and the Association of Women's Affairs (*fu*). The party committee is chaired by the township's party's secretary, the top boss of the entire township, whose immediate goal is to climb up the bureaucratic ladder and become a county cadre after a few years of serving in a township. The party committee also has several vice directors and other members, such as an organization committee member (*zuzhi weiyuan*) and a propaganda committee member (*xuanchuan weiyuan*). The township government is headed by a director, who is at the same time a vice director of the party committee. The township government also has numerous vice directors in charge of different affairs of the township, such as agriculture, industry, and finance and commerce. At the township level, the local People's Congress does not have a standing committee. It only has a president. The local People's Political Consultative Conference has either a liaison officer (*zheng xie lianluoyuan*) or a vice secretary (*fu*

*mishu zhang*). The Communist Youth League and the Women's Affairs Association each have a separate administrative cadre. The Workers' Union does not have its own cadre but shares a cadre with other parts of the township government.<sup>55</sup>

These cadres are all called administration cadres and they are fully county-funded. Though facing repeated pressure to streamline, township bureaucracy has continued to grow since the 1990s. The organizational book of a township limits the number of administrative cadres to no more than a few dozen, even for a large town. Townships, however, have more administrative cadres than the number stipulated in the organizational book. For example, the number of party and government administrative cadres (*dangzheng lingdao*) of Liugongwan Township was supposed to be limited to nine. However, as of the beginning of 2005, it had fourteen.<sup>56</sup>

A township also has numerous horizontal (*kuai kuai*) and vertical agencies (*tiao tiao*) that carry out the functions of a township.<sup>57</sup> These agencies are commonly referred to as seven stations (*qi zhan*) and eight offices (*ba suo*) in Hunan. "Seven stations" include the broadcasting station, the culture station, the forestry station, the economic management station, the water management station, the agricultural machinery station, the agricultural technology station, the veterinary station (*shouyi*

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<sup>55</sup> Interview with the retired director of the Finance Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002 and interview with the vice director in charge of finance and commerce of Liugongwan Township, Huaiyang District, April 2004. See also Xu Yong, "Xiangcun zhili jiegou gaige de zouxiang" [Ways to reform the structure of rural governance], 90-97.

<sup>56</sup> Interview with the vice director in charge of finance and commerce of Liugongwan Township, Jan. 2005.

<sup>57</sup> The bureaucratic matrix in China consists of horizontal and vertical organizations. Vertical agencies (*tiaotiao*) answer to the same agencies at a higher bureaucratic level, rather than to a territorial government. Horizontal agencies (*kuaikuai*), on the other hand, are subject to a territorial government, rather than agencies at a higher bureaucratic level. For China's bureaucratic matrix, see Lieberthal, *Governing China*, chap. 6 and Mertha, "China's 'Soft' Centralization," 791-810. Thus, a township government only needs to provide funds to horizontal township agencies, but not vertical ones. Only it can decide who will be hired or fired and who will be promoted or demoted. It monitors all important activities of the horizontal agencies, but not the vertical ones. Interviews with township cadres in Huaizhou, Yuanxiang, Zizhou, Sishui, 2001-2003 and summer 2004.

*zhan*), the animal husbandry and immunization station (*xumu fangyi zhan*), and the grain station. The “eight offices” include the family planning office, the civil affairs office, the fiscal office, the law enforcement office, the state land office (*guotu suo*), the city construction and planning office, the statistics office, the health office, which is a health clinic, the industrial and commercial office, the taxation office, the public security office, and the real estate management office (*fangguan suo*).<sup>58</sup>

These stations and offices are divided into horizontal agencies, which answer to a township government, and vertical ones, which answer to their equivalent agencies in a county. Vertical agencies in a township, such as the taxation office, the public security office, and the industrial and commercial office, tend to be those that are in a better financial situation because they can generate income through fees and fines. Horizontal agencies, on the other hand, tend to be heavily staffed and cannot generate much income on their own. Rather, they have to be financed by a township government. Counties constantly shuffle around these township agencies, taking away income-generating and profitable agencies to a county (*shou shangqu*) and delegating unprofitable ones to a township (*fang xialai*), which is another way for a county to transfer its financial burdens to townships.<sup>59</sup>

With few exceptions, all cadres employed by these agencies are either partially funded or completely self-funded. These agencies employ a huge number of people, thus contributing to the bloating of townships. For example, a water management agency in a township, the most bloated of all agencies and offices in lake townships in Hunan, employs dozens of people, all of whom are completely self-funded (table 2.5).

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<sup>58</sup> These are ten stations rather than seven and twelve offices rather than eight. The phrase “seven stations and eight offices” is a general expression for all township agencies and the number cannot be taken literally.

<sup>59</sup> Interviews with township and county cadres in Huaizhou, Yuanxiang, Zizhou, Sishui, and Jiangu, 2001-2003.

These cadres survive through collecting common production fees from peasants. Other than the water management station, among township agencies, the family planning office, the fiscal office, and the agricultural technology station tend to be more bloated than others, each hiring close to ten or more than ten people in a typical township. To feed all these partially funded or self-funded cadres in the 1990s, township governments collected heavy taxes and fees from peasants.

**Table 2.5: Number of Cadres Employed by Water Management Agencies in Townships in Huaizhou**

Name	Number of People	Year
The Water Management Station of Liugongwan Township, Huaiyang District	59	2004
The Reservoir of Wangyuting Town, Huaiyang District	74	2004
The Water Management Station of Fenglaipu Town, Fenglin District	50	2004
The Water Management Station of Bai Gang Town, Fenglin District	68	2003
The Da Jiang Kou Drainage and Irrigation Station of Fenglin District	More than 70	2004

Sources: Interviews with township and county water management cadres in Huaiyang and Fenglin District of Huaizhou City, summer 2004.

The following two tables are based on budget appropriations for Liugongwan Township and Wangyuting Town in Huaiyang district, Huaizhou City in 2000 and 2001. They illustrate the fiscal squeeze that townships in Hunan faced, which made it hard even to keep township governments open (*yun zhuan*).

**Table 2.6: Budget Appropriated to Liugongwan Township (unit: yuan)**

Liugongwan Township	2000 budget	2001 budget
Administration Cadres	194,100	194,100
Law Enforcement Office	16,410	16,410
Fiscal Office	35,980	47,180
Culture Station	4,140	4,140
Broadcasting Station	11,560	11,560
Telephone Operators	3,600	3,600
Statistics Office	3,340	3,340
Family Planning Office	9,660	9,660
Agricultural Technology Station	25,760	25,760
Economic Management Station	7,420	7,420
Forestry Station	6,700	6,700
City Construction Office	4,000	4,000
Total	322,670*	336,670

Source: Interview with the vice director in charge of finance and commerce of Liugongwan township of Huaiyang district, April 2002.

\*The actual appropriated budget for 2000 was 32,5000 yuan rather than 322,670 yuan.

**Table 2.7: Budget Appropriated to Wangyuting Town in 2001 (unit: yuan)**

Administration Cadres	270,000
Fiscal Office	50,000
Family Planning Office	9,500
Economic Management Station	10,000
Statistics Office	3,500
Broadcasting Station	9,600
Agricultural Technology Station	32,000
Law Enforcement Office	9,600
Cultural Station	4,500
Urban Construction Office	5,200
Forestry Station	5,500
Total	409,400

Source: Report to the Annual Meeting of Wangyuting Town's Peoples' Representatives prepared by the Fiscal Office, Nov. 2001.

In the early 2000s, Liugongwan Township had 108 cadres and Wangyuting Town had more than 110 cadres (table 2.4). In both places, only administrative cadres received full salary from the district. Ten agencies only received partial funding and

many agencies received no funding at all.<sup>60</sup> The agricultural technology station in Liugongwan Township had more than ten cadres and the budget appropriated to it was only 25,760 yuan a year, each receiving less than 3,000 yuan a year. The forestry station had four cadres, but only received 6,700 yuan a year, so each was paid only 1,675 yuan a year.<sup>61</sup> Many agencies received not a single penny from the district, such as the water management station, the agricultural machinery station, the veterinary station, the animal husbandry and immunization station, the civil affairs office, and the health clinic. All township agencies hired many people. For example, a water management station alone employed dozens of people. Having a large chunk of the rural bureaucracy, which was self-funded or partially-funded, inevitably increased peasant burdens, for these agencies all survived by collecting heavy taxes and fees from peasants.

Even among the fully-funded administrative cadres, townships still need to pay their “*kouzi*” or policy fees. A policy fee is very similar to “unfunded central mandates” in that both are demanded by the central government but funded by the local governments.<sup>62</sup> A popular local expression for various policy fees and unfunded central mandates is “the central government issues the policy, and the local

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<sup>60</sup> This list only covers ten stations and offices, whereas a township has at least 22 agencies (see the section entitled “The Bureaucratic Skeleton”). For two reasons, many township agencies are not on the list. First, some township agencies are completely self-funded and received no funding from the county. The water management station and the agricultural machinery station are two such examples. Second, some agencies, such as the taxation office, the public security office, and the industrial and commercial office do receive funding. However, they are vertical agencies. Thus their budget appropriation does not show up on a township’s budget table. Rather it is included in the budget table of their supervising agencies at the county level.

<sup>61</sup> Interviews with the head of the Water Management Station in Liugongwan Township and with its vice director in charge of finance and commerce, summer 2004.

<sup>62</sup> A policy fee differs from an unfunded central mandate in two aspects. First, a policy fee is a subsidy given to cadres and teachers, whereas unfunded central mandates are provisions of local public goods. Second, a local government only has to provide a policy fee if it has the fiscal capacity. But it has to carry out an unfunded central mandate even if it does not have the fiscal capacity. For unfunded central mandates in rural China, see Bernstein and Lu, *Taxation without Representation*, 88-92.

government pays for it.”<sup>63</sup> The two most common policy fees in Hunan as of 2005 were 150 yuan a month of “appropriate cost of living subsidy” (*shidang shenghuo buzhu*) and 70 yuan a month of “price subsidy” (*wujia buzhu*) that could be paid to each cadre and teacher if local governments had the money.<sup>64</sup> Since 2001, the state has also demanded local governments to pay civil servants 13 months of salary a year.<sup>65</sup> Due to their fiscal plight, counties and townships in Hunan either did not pay these policy fees at all or only paid these fees sporadically. These fees, thought not paid, are considered to be debts that townships owe to their cadres. In other words, though townships are not obligated to pay these policy fees, they still create financial liability for a township. As each township hires a lot of cadres, the policy fee liability can be huge.

In addition, each fully-funded administrative cadre in a township only received several hundred yuan a year for all his or her public expenses (*gongwu fei*), including phone bills, office supplies, transportation subsidies, meal subsidies, money spent on collecting taxes, and year-end bonuses. The money obviously was not enough and a township had to cover the difference, which was, at least, between 3,000 to 5,000 yuan a year for one cadre.<sup>66</sup> Because an average township in Hunan hired more than 100 cadres, covering the shortage of public expenses alone could cost a township half a million yuan a year.

High tax quotas, low budget appropriations from counties, expanding policy fees, unaccounted for public expenses, and bloated size determined that each

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<sup>63</sup> In Mandarin, the expression is “*zhongyang kai kouzi, difang chu piaozhi*.”

<sup>64</sup> Interviews in township and county cadres in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2001-2003.

<sup>65</sup> Interviews with cadres in Huaiyang District, Huaizhou City, April 2002.

<sup>66</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town in Yuanxiang County, Oct. 2002.

township/town in Hunan had to “introduce” (*yin jin*) a hefty amount of money (at least a million yuan) annually just to keep the government running. Dongxingyuan, a town with more than 40,000 peasants (table A.23) and 130 cadres (table 2.4) in Yuanxiang County, for example, needed between 1.9 million yuan to 2 million yuan simply to continue operating. However, the county only appropriated a little more than 800,000 yuan towards those ends. It needed to introduce more than 1 million yuan each year just to keep the town open.<sup>67</sup> Liugongwan, a township with more than 30,000 peasants (see tables A.20-21) and 108 cadres (see table 2.4), also needed to introduce one million yuan a year.<sup>68</sup>

The money came from three sources: heavy taxes and fees levied on peasants; money borrowed from banks, credit unions, rural funds, and private people; and project money (*xiang mu kuan*) from higher levels of government. Loans, particularly those from private people came with a very high interest rate. In Huaizhou, even after the interest rate was lowered, the annual interest rate for long term loans borrowed by townships and villages was still 10% as of 2003.<sup>69</sup> In Sishui, the interest rate for loans from private people could be as high as 10%, 12%, or even 15% each month as of 2001.<sup>70</sup> Loans from banks and credit unions were very hard to get after the banking reform in 1995 and 1996. The reform made banks commercial, which made it no longer possible for local officials to force a bank to “make a loan against its will” (Naughton 1997, 267).<sup>71</sup> Project money was precarious and required lots of

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<sup>67</sup> Ibid.

<sup>68</sup> Interviews with cadres in Liugongwan Township, Huaiyang District, summer 2004.

<sup>69</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Bureau of Finance of Huaizhou City, June 2003.

<sup>70</sup> Interviews with cadres in the Economic Management Bureau of Sishui City, Jan. 2002.

<sup>71</sup> Interviews with the director of the Fiscal Bureau of Huaiyang District, April 2002 and with cadres in the Irrigation Bureau of Huaiyang District, Jan. 2005. Also see Naughton, “Fiscal and Banking Reform”.

connections and entertaining of higher level cadres. Thus, heavy taxes and fees from peasants provided the only sure and easy money for townships in the 1990s.

The following three tables compare funding appropriated by the district and taxes and fees collected from peasants in Liugongwan Township, Qingcaotang Town, and Wangyuting Town, all located in Huaiyang District of Huaizhou City. “Budget Appropriated” in column two means the amount of money that the district appropriated to the township. It had two components: wages and shared income (*fencheng shouru*). A township could share income with a county if it submitted the tax-sharing basic figure.<sup>72</sup> Column three, “Taxes and Fees Collected,” refers to the amount of taxes and fees the township actually collected from peasants in a specific year, including unified township fees and fees collected by a township on behalf of its agencies.<sup>73</sup> Column four indicates the amount of taxes and fees that the township planned to collect from peasants in that year. It was a meaningful number. Even though a township could not collect as many taxes and fees from peasants as it planned in a certain year, it retained the right to collect these back taxes and fees from peasants. In other words, back taxes and fees were considered debts that peasants owed to their local governments.<sup>74</sup>

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<sup>72</sup> See the section entitled “Fiscal System at the Township Level” in this chapter for more details.

<sup>73</sup> See chapter 3 for the types of taxes and fees that townships and villages collected from peasants in the 1990s and beyond.

<sup>74</sup> See chapter 4 for details on rear taxes and fees.

**Table 2.8: Liugongwan Budget and Taxes and Fees Compared (unit: 10,000 yuan)**

YEAR	Budget Appropriated	Taxes and Fees Collected	Taxes and Fees Planned
1989	69.55	36.18	n/a
1996	42	18.2	151.67
1997	n/a	156.4	n/a
2000	63.33*	88.87	226.71
2001	50.55	76.48	192.84

Sources: Budget reported to the annual meeting of the township's People's Representatives in various years.

\*This number was different from the number appeared in table 2.3, which was 454,541 yuan. This number appeared in the 2000 budget report, whereas the number 454,541 was provided by the vice director in charge of finance and commerce in the township.

**Table 2.9: Qingcaotang Town Budget and Taxes and Fees Compared (unit: 10,000 yuan)**

Year	Budget Appropriated	Taxes and Fees Collected	Taxes and Fees Planned
1998	63.58	71.25	110.65

Source: Budget reported to the annual meeting of the town's People's Representatives in year 1998.

**Table 2.10: Wangyuting Budget and Taxes and Fees Compared (unit: 10,000 yuan)**

Year	Budget Appropriated	Taxes and Fees Collected	Taxes and Fees Planned
2001	72.94	72	120

Source: Budget reported to the annual meeting of the town's People's Representatives in year 2001.

As can be seen from the tables, since the 1990s, taxes and fees that a township planned to collect from peasants were several times as large as a township's budget. In some years, such as in 2000 in Liugongwan Township, it was close to four times the budget. The tables also show that in the 1980s, the budget was significantly higher than taxes and fees collected from peasants (Liugongwan, 1989), whereas since the 1990s, the budget was either the same or significantly lower than taxes and fees collected from peasants. The only exception to this pattern was in 1996, when

Liugongwan Township only collected 12% of taxes and fees due to flooding.<sup>75</sup> This showed that public finance of townships was much healthier in the 1980s. The financial crisis that gripped townships in Hunan occurred in the 1990s.

Furthermore, whereas the money collected from peasants was real, that appropriated by the district was only a theoretical number. Because most townships in Hunan had to spend a large sum of money to purchase taxes, the actual amount of budget appropriation was very small. Liugongwan Township, for example, had to spend more than 400,000 yuan each year to purchase taxes. This lowered the budget it received from the district to less than 20,000 yuan in 1996, a little more than 200,000 yuan in 2000, and less than 100,000 yuan in 2001. It was no wonder that the township's party secretary always shouted "not even a penny! Not even a penny!" during each township meeting. The township was so impoverished that in order to hold the annual people's representative meeting, it had to seek donations from rich business men in the township.<sup>76</sup> This financial plight forced townships to squeeze peasants as much as possible, turning the towns in the 1990s into nothing but ruthless and greedy grain collectors.

### **Paying for Public Goods in Rural China**

Paying wages and public expenses for township cadres, which local cadres referred to as maintaining normal "organizational functioning" (*jigou yunzhuang*), was not the only reason that townships had to borrow money year after year. Townships were also burdened with expenditure responsibilities that were beyond their means. Each township/town in Hunan had to provide public goods and to implement policies,

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<sup>75</sup> *1996 nian caizheng yusuan zhixiang qingkuang he 1997 nian caizheng yusuan anpai yijian de baogao* [A report on the implementation of the 1996 budget and on the 1997 budget], which was presented to the Annual Meeting of People's Representatives in Liugongwan Township in 1996.

<sup>76</sup> Interview with the director of the Office of Liugongwan Township, Nov. 2001.

such as paying for basic education, carrying out the family planning policy, maintaining village and township roads, training militias, recruiting peasants into the army and paying allowances to their families, constructing irrigation projects, and providing pensions for elderly peasants. Among all these activities, rural basic education and irrigation imposed a heavy burden on township public finance in particular. Townships, unable to finance these public goods, borrowed money and also collected large amounts of taxes and fees from peasants.

Heavy education surcharges and funds were levied everywhere in the countryside in Hunan and very often became a bone of contention between peasants and local governments. High irrigation fees, called common production fees, were unique to lake areas in northern Hunan, where farmland had to be drained constantly, levees had to be strengthened, and flooding had to be prevented every year. The fact that counties and townships, though broke, had to pay for basic education and irrigation, two very costly public goods, illustrated that the tax-sharing system (TSS) had created a severe mismatch between the fiscal capacity and the fiscal responsibilities of local governments in Hunan and elsewhere in Central China. Being overburdened with fiscal responsibilities, such as basic education and irrigation, reflected the political weakness of townships and counties in an elaborate and multi-layered bureaucracy. Being the weaker of the two, townships shouldered more of the burden of providing for basic education and irrigation than counties in the 1990s and before the rural tax-for-fee reform in 2002.

### **Basic Education**

Counties and townships, rather than the central or provincial government, had to pay for the nine years of basic education, a costly endeavor that would take up more than 100% of the disposable fiscal capacity (*ke yong cai li*) of many counties in

Hunan, if basic education were to be fully funded. Most counties in Hunan transferred a large part of the fiscal burden of paying for basic education to townships. The policy slogans for this practice included “people are responsible for people’s education” (*renmin jiaoyu renminban*) and “a county pays for county schools, a township for township schools, and a village for village schools” (*xian xue xian ban, xiangxue xiangban, cunxue cunban*). This meant that townships and villages, rather than counties, had to pay for education expenses in the countryside.

Education expenses could be broken down into two large categories, including salaries for teachers and money for improving school conditions.<sup>77</sup> The latter was an umbrella concept that covered all kinds of expenses, ranging from minor things such as buying chalk and brooms to building new schools. Before 2000, under the aforementioned education policy, most counties in Hunan made townships responsible for both kinds of education expenses. Counties appropriated an education budget to a township, which was only enough to cover rural teacher salaries for about half a year. Townships had to collect large amounts of the education surcharge (*jiaoyu fujia*) and the education fund (*jiaoyu jizi*) from peasants and rural students to pay for the rest of teacher salaries. Teachers employed by township and village schools received their salaries from a township’s fiscal office, rather than from the county Bureau of Education. As fee collections became more and more contentious in the late 1990s and teacher salaries kept rising, townships found it a tremendous burden to pay for basic education. Many, deeply in debt, sometimes did not pay for teacher salaries for months in a row.

The major expense that townships spent to improve school conditions happened during the drive to reach “two basic standards” (*liang ji*), which is discussed

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<sup>77</sup> In Mandarin, the expression is “*gaishan banxue tiaojian*.”

in the section on unfunded central mandates below. Many local cadres thought it unfair to ask counties and townships, the poorest of all layers of the Chinese government, to pay for basic education, one of the most expensive obligations that a government has. The following two quotations reflected this sentiment:

Paying for basic education is an important reason why counties are facing fiscal plight. According to the principle of different layers of government paying for different schools (*fenji banxue*), most primary schools and junior high schools are located below the level of counties, whereas fiscal capacity is concentrated at the level above counties. Counties and townships have to pay for the entire cost of basic education... Basic education takes up 70% of the fiscal capacity of this district.<sup>78</sup>

Paying for basic education should be the responsibility of the central government. If the central government cannot do it, then the provincial government should do it. Nowadays counties and townships are made to pay for it. This has created extreme financial difficulties for them.<sup>79</sup>

## **Irrigation**

Agriculture in Hunan depends on an elaborate irrigation, drainage, and flood fighting system. Each township, particularly in lake areas, hires a large rural bureaucracy to maintain the elaborate water management system. Major irrigation responsibilities for a township include draining and irrigating farmland (*tongpai tongguan*), strengthening levees (*xiu di*), fighting against flooding (*fang xun*), and constructing irrigation projects (*xiu shuili*). All are costly. Because townships in Hunan had limited fiscal capacity in the 1990s, they collected a bewildering array of common production fees from peasants to finance these activities and to pay for salaries of rural water management cadres. When townships could not collect enough

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<sup>78</sup> Interview with the director of the Office of the Finance Bureau of Fenglin District of Huaizhou City, May 2003.

<sup>79</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

money from peasants, they ended up either getting loans to keep the water management system working or letting the water projects crumble.

Chapter 3 will explain in detail the distribution of the financial responsibilities for irrigating and draining land and fighting against flooding among villages, townships, and counties and the types of common production fees collected by villages and townships. Here I will only present a broad picture of the financial difficulties townships have in maintaining the water management system. Though townships everywhere in Hunan charged common production fees, it was only in lake areas that these fees were extraordinarily high, costing peasants as much as more than 100 yuan per *mu* a year. The common production fees were much lighter in hilly and mountainous areas, two other topographies in Hunan. One major reason was because farmland in lake areas had to be drained almost daily. The electricity bill for draining alone could cost a peasant almost 100 yuan per *mu* in low-lying lake areas. In the late 1990s, as it became increasingly hard to collect taxes and fees from peasants, water management stations in townships found that they had to owe large electricity bills to the Electricity Bureau and borrow money just to keep pumping water in and out of farmland. Thus each water management station in Hunan was heavily indebted and was in the worst financial shape among all seven stations and eight offices in a township.<sup>80</sup>

In addition to draining farmland, counties in lake areas in Hunan had to strengthen levees each year; otherwise, they might break. The cost for strengthening levees was very high, particularly after a flood year. Counties, lacking the money, divided the task among townships each year, assigning each township protected by levees a fixed number of dirt cubic (*tufang gongcheng*), which the township had to

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<sup>80</sup> See the section “The Extent of the Crisis” in chapter 1 for the debt level of a water management station.

finish. The township government, in turn, either organized peasants to carry dirt (*tiao tu*) on their shoulder poles to the levee, or collected money from peasants and hired a construction team to do it. If a township did not succeed in collecting enough money from peasants, it ended up paying a large amount of the levee construction fee. For example, Liugongwan Township spent 969,700 yuan to strengthen its levees in 1996. It levied 30 yuan on each peasant, but only collected about half the amount; thus, it ended up losing hundreds of thousands of yuan because of the levee.<sup>81</sup> After a major levee in Huaiyang District broke during the big flood in 1998, each township was made responsible for rebuilding it. Many townships incurred debts in the process. Qingcaotang Town, for example, owed hundreds of thousands of yuan in 1998 to a construction team which rebuilt the levee. Wangyuting Town spent 600,000 to 700,000 yuan on the levee.<sup>82</sup>

### **Impact of Central Policies and Unfunded Central Mandates**

A fourth factor, no less than the previous three (economic, fiscal, and bureaucratic), ruined rural public finance and contributed significantly to the fiscal disorder in the countryside and the heavy indebtedness of townships and villages. This refers to the relationship between the local and the central government in China and its fiscal consequences. The local government in China is simultaneously weak and powerful. It is weak because it sits at the very end of a multi-layered bureaucratic system. Despite political and economic decentralization in the age of market reform, the party-state retains one crucial right: the right to appoint and promote cadres (*dang*

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<sup>81</sup> Interview with the accountant in the Finance Office of Liugongwan Township, Huaiyang District, April 2002.

<sup>82</sup> Interview with the director of the Finance Office of Wangyuting Town, Huaiyang District, summer 2004.

*guan gan bu*).<sup>83</sup> As a result, local cadres must carry out orders from higher levels of government if they want to be promoted. In the 1990s, the local government had to engage in a series of standard reaching activities demanded by the central, provincial, and city government and to pay for a torrent of unfunded central mandates. Among all standard reaching activities, the drive to reach the two basic education standards in rural China had the worst fiscal impact, saddling each township in Hunan with a few million yuan in debt.

Paradoxically, however, the local government in China is also powerful. Because of China's size and its multi-layered bureaucratic system, the country faces a very serious principal-agent problem.<sup>84</sup> Further, market reform has created a looser political environment, which has made monitoring of local cadres more difficult and has led to rampant corruption (He Qinglian 1998; Lu 1999; Sun 2004). As a result, the power of the central government is very often frustrated by local governments in China. Well-intended central policies very often prove to be disastrous when implemented at the local level because the center cannot anticipate the responses of local cadres. Even if it could, it would not have the means to curb the self-serving behaviors of local cadres.<sup>85</sup> This characteristic of the political system can be seen clearly in two central policies in the 1990s. The first was to abolish rural districts, consolidate small townships, and establish towns (*zhequ bingxiang jianzhen*), a central policy that was carried out in Hunan in 1995. The second was to establish two rural funds (*liang jin*), including the Rural Cooperative Fund (*nongcun hezuo jijinhui*) and

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<sup>83</sup> See Pierre F. Landry, *Decentralized Authoritarianism in China: the Communist Party's Control of Local Elites in the Post-Mao Era* (Cambridge: Cambridge University Press, 2008).

<sup>84</sup> For the principal-agent problem that was inherent in state socialism in the former Soviet Union and Eastern Europe, see Valerie Bunce, *Subversive Institutions: The Design and the Destruction of Socialism and the State* (Cambridge: Cambridge University Press, 1999), 25.

<sup>85</sup> See fn. 37 of the introduction chapter.

the Rural Mutual Savings Fund (*nongcun huzhu chujinhui*).<sup>86</sup> Both wrought fiscal havoc to numerous townships and villages in Hunan.<sup>87</sup>

### **Weakness of the Local Government and Unfunded Central Mandates**

In the 1990s, the central government issued a series of unfunded central mandates to local governments, mostly in the form of “standard reaching and upgrading” (*dabiao shengji*). Among these mandates, none proved more financially burdensome on townships and villages than “reaching the two basic standards” (*liang ji*) in education, which saddled each township/town in Hunan with a few million yuan of debt.

Shortened as the “two basics” (*liang ji*), the policy required that the local government should basically eradicate illiteracy among young people and basically realize nine years of compulsory education in the countryside. To reach the two-basic standards, local governments built new schools in each village and township, renovated old ones, and upgraded school equipment. Nevertheless, funding for the new schools came entirely from local governments. Counties, short of money, made townships and villages pay for almost the entire cost. Townships and villages in turn borrowed money and collected heavy new school construction fees (*jian xiao fei*) from peasants, either charging each peasant or each rural student dozens of yuan or kilos of grain every year for years in a row. For example, Qingpu Town and Xiaofeng Township in Zizhou County collected 80 yuan of the new school construction fee from every student each year for two years.<sup>88</sup> Dongxingyuan Town in Yuanxiang County

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<sup>86</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, May 2003.

<sup>87</sup> Interviews with village, township and county cadres in Huaizhou, Zizhou, Yuanxiang, and Sishui, 2001-2003.

<sup>88</sup> Interview with the principal of the Rural United-School, Xiaofeng Township, Zizhou County, April 2004.

levied 15 yuan on each *mu* of land for years in a row. In addition, villages in this town collected either 30 kg or 60 kg of grain per *mu* each year for several years to build village schools.<sup>89</sup> The highest amount of the new school construction fee that Dongxingyuan town collected in one year alone was more than 700,000 yuan.<sup>90</sup> Zhutian Village in the town collected 40 yuan per *mu* each year for two years and built a new village school.<sup>91</sup> Changtang Town, Yuanxiang County collected 45 yuan of the new school construction fund from each peasant in 1998.<sup>92</sup> Cangyuan Town, Yuanxiang County collected 80 yuan from each peasant a year for three years in a row.<sup>93</sup> Qizong Town, Qinggang City levied about 10 yuan on each peasant to build a new township middle school.<sup>94</sup>

In 1998, the central government decided to tackle seriously the question of heavy peasant burdens. It abolished many fees, including the new school construction fee. Unable to collect fees from peasants to repay the loans, each township in Hunan accumulated a large amount of “two-basic debts” (*liang ji zhai wu*). In Zizhou, on average, every township spent 5 million yuan to build new schools and purchase new equipment.<sup>95</sup> Qingpu Town of Zizhou County still owed 1.6 million two-basic debt in 2004 and Xiaofeng Township, a small township with fewer than 30,000 peasants owed

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<sup>89</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>90</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, October 2002.

<sup>91</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Oct. 2002.

<sup>92</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>93</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

<sup>94</sup> Interviews with peasant leaders and ordinary peasants in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004.

<sup>95</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City, summer 2002.

600,000 yuan.<sup>96</sup> In Huaizhou, every township incurred a debt of a few million yuan during the drive to reach the two basic standards. The two-basic debt of Liugongwan Township of Huaiyang District of Huaizhou was 4 million yuan in the late 1990s.<sup>97</sup> This number decreased to around 2 million in 2004.<sup>98</sup> The total “two-basic debt” of 24 townships in Fenglin District, Huaizhou City, including both the principal and interest, was 30 million yuan in 2002. On average, each of the 24 townships owed 1.25 million yuan as of 2002.<sup>99</sup> Dongxingyuan Town, Yuanxiang County owed 2.7 million yuan of the two-basic debt as of 2000.<sup>100</sup>

## **Power of the Local Government and Two Central Policies Gone Awry**

### ***Abolishing Rural Districts, Consolidating Small Townships, and Establishing Towns***

Before 1995, below the level of counties and above the level of townships there was one more administrative level known as rural districts (*qu*). A rural district usually governed several small townships. In the mid 1990s, the central government decided to abolish rural districts (*che qu*), consolidate small townships into large ones (*bing xiang*), and establish towns wherever possible (*jianzhen*). Towns were larger and more urban than townships. This policy was carried out in Hunan in 1995. It cut down the number of townships by as much as two thirds. In Yuanxiang County, for example,

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<sup>96</sup> Interview with the principal of the Rural United-School of Xiaofeng Township, Zizhou County, April 2004.

<sup>97</sup> Interview with the principal of the Rural United-School of Liugongwan Township, Huaiyang District, January 2005.

<sup>98</sup> Interview with a teacher from the Rural United-School of Liugongwan Township, July 2004.

<sup>99</sup> Interview with the director of the Office of the Finance Bureau of Fenglin District, May 2003.

<sup>100</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

the number of townships decreased from more than 70 to only 35.<sup>101</sup> In Zizhou County, 66 small townships were consolidated into 22. Qingpu Town, for example, consists of five small townships.<sup>102</sup> The policy doubled, tripled, or quadrupled the size of many townships and thus turned small townships into big towns. A typical small township in Hunan had fewer than 20,000 people before the consolidation. A large town which emerged out of this policy consisted of several small townships and could have between 70,000 to 80,000 peasants.<sup>103</sup>

The original purpose of the policy was to shrink the size of the local bureaucracy, flatten the bureaucratic ladder, and cut the cost of running the local bureaucracy, yet the result was exactly the opposite. The policy turned out to be disastrous. Nowhere could one see the blunder more clearly than in the fiscal health of townships before and after the policy. Before the policy, most townships in Hunan were still running a surplus. After the policy, however, almost every township was heavily indebted, each accruing a few million yuan of debt in the process.<sup>104</sup>

Peasants and local cadres alike compared the policy of consolidating townships in 1995 to “another Cultural Revolution.”<sup>105</sup> According to many peasants, “That was the year when the countryside was the most chaotic. All public assets of townships became liquidated in that year alone. Township cadres encouraged people to borrow money through connections and then divided up the money. Every township became

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<sup>101</sup> Interview with the director of the Rural Tax-for-Fee Reform Office in Dongxingyuan Town, Oct. 2002.

<sup>102</sup> Interview with the Rural United-School Principal of Qingpu Town, Zizhou County, March 2001.

<sup>103</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City, May 2002.

<sup>104</sup> Interviews with various township and county fiscal cadres in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2001-2003.

<sup>105</sup> In Mandarin, the expression is “*youshi yichang haojie.*”

indebted. Peasant burdens increased dramatically precisely at around that time.”<sup>106</sup>

Some even used the phrase “*san guang*” or “three total destructions” to describe the havoc that this policy brought to rural Hunan.<sup>107</sup> The following quotation from a township cadre revealed all that went wrong with consolidation of townships:

Expanding the boundary of townships is not good for administration. For example in Huaxi (a county in Huaizhou), Xiangmushan (a township) was combined with Meixitan (another township). Ever since the township became so much bigger, it has been very inconvenient to organize a meeting. This is because transportation is not convenient and places are far away from one another... After the consolidation, a headquarters is set up in Xiangmushan. At the same time, a branch office is set up in Meixitan. Just like before the consolidation, Meixitan still employs a full set of people (*yiban renma*). Some are in charge of justice. Some are responsible for public security. Some are responsible for other things. It is exactly the same as before. No person is cut. No expense is saved and it is not conducive to administration. Consolidating townships was also a process of chaos. For example, since Meixitan would be merged with Xiangmushan, the cadres in Meixitan Township carried out a policy of “three total destructions” (*san guang*): eating up everything (*chi guang*), dividing up everything (*fen guang*), and using up everything (*yong guang*). After all, the township’s party secretary is not sure if he will remain a party secretary. The director of the township is not sure if he will remain a director. A vice director in the Bureau of Finance in Huaxi County told me that this (consolidation of townships) was equivalent to the second Cultural Revolution. It was also a calamity.<sup>108</sup>

Such an organizational reshuffling without accountability built in the political system only meant that those in power who stood to lose from the reshuffling quickly turned public assets into their own before they lost their power. The chaos and uncertainty of this organizational rearrangement provided a great opportunity for power holders in townships to loot and to impose the losses on the state. Specifically,

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<sup>106</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>107</sup> Under the policy of “three total destructions” (*san guang*), invading Japanese troops committed atrocities in Chinese villages in WWII.

<sup>108</sup> Interview with the vice director in charge of finance and commerce in Liugongwan Township, Huaiyang District, Jan. 2005.

township leaders, knowing that their power and their townships would be consolidated away, quickly hired a lot of cadres. The size of townships in Hunan thus expanded quickly right before the policy was carried out.<sup>109</sup>

Second, rich townships with healthy public finances would be merged with poor ones with debts. Further, a township party secretary or director could not be sure if (s)he would still be appointed as the secretary or director in the larger and consolidated township. This provided irresistible incentives for township cadres, in rich and poor townships alike, to quickly divide up the money on their accounts and whatever public assets that the townships had. Township cadres even borrowed money from wherever they could, such as from the rural credit-union, and shared the spoils among several cadres. One county cadre explained the mechanism in the following words:

You are a township and I am another one. Suppose that you are a poor township and I am a rich one. If we become one township, then you will use my money. Therefore I will quickly use up all my money. I will even borrow money and go into debt.<sup>110</sup>

As a result, townships in Hunan incurred lots of debts during the consolidation process. Before 1995 most townships in Hunan still had some surpluses. Since 1995, however, most were heavily indebted. For example, before Liulin Township in Yuanxiang County was combined with two more townships and formed the town of Cangyuan in 1995, it still had more than 1 million yuan of assets. During the consolidation, each of the three townships incurred debt and the newly formed

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<sup>109</sup> Interviews with peasants and rural cadres in Zizhou, Yuanxiang, Huaizhou, and Sishui, 2001-2003.

<sup>110</sup> Interview with the director of the Budget Office of the Fiscal Bureau of Fenglin District, Huaizhou City, May 2003.

Cangyuan Town had a debt level of several million yuan from the moment it came into existence.<sup>111</sup>

Third, the policy did not succeed in streamlining rural bureaucracy at all, nor did it flatten the bureaucratic levels. It only rearranged the rural bureaucratic structure. Because the newly consolidated townships were so big, they set up branches (*banshi chu*) or administration areas (*guan qu*) in those townships that were merged with other townships. Qingpu Town, Zizhou County, for example, set up one administrative area in each of the five small townships that were merged in 1995.<sup>112</sup> These branches or administrative areas employed all the cadres who used to work in these townships. However, they did not have the full functions of a township government. Basically, what the policy did was to transform small townships into branch offices or administrative areas that hired the same number of people but could not provide the full service of a township/town.<sup>113</sup>

Finally, the policy has increased administrative costs and made it much harder to govern. Because the area of a township is severally times larger than before, it costs more and takes more time for township cadres to visit villages or for village cadres to reach a township seat for local meetings. Organizing a township-wide meeting among village cadres or people's representatives (*renda daibiao*) becomes much less convenient and more expensive than ever before. To organize a meeting of village cadres, some large towns have to provide busing services to fetch village cadres scattered among a much larger area than in the past. Village cadres also have to pay

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<sup>111</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>112</sup> Interview with the Rural United-School Principal of Qingpu Town, Zizhou County, March 2001.

<sup>113</sup> Interviews with peasants and local cadres in Zizhou, Yuanxiang, Sishui, and Huaizhou. 2001-2003, summer 2004, and winter 2005.

large motorcycles fees to reach their townships.<sup>114</sup> The same is true for village liaison cadres (*liancun ganbu*) who have to visit villages frequently.<sup>115</sup>

In a very large township, it is also much harder for peasants to reach the township government than it was before the consolidation. They have to travel very far to obtain documents such as ID cards and marriage and birth certificates. In some remote mountainous areas, peasants have to spend a good day traveling, and by the time a peasant arrives, the offices are already closed and the peasant has to stay in a motel. Thus, a trip to the township and back home now takes two or even three days. The consolidation of townships has also further alienated cadres from peasants, by reinforcing cadres' habit to stay in their offices in the township government compound rather than to visit peasants. Some peasants joked, "Jiang Zemin I can see every day on TV. But I have never seen the township party secretary or the director of the township."<sup>116</sup>

### ***Rural Funds***

For the same lack of political accountability, the establishment of the two rural funds (*nongcun liangjin*) in the 1990s also turned out to be disastrous. To help alleviate credit shortage in the countryside, the central government decided to set up the Rural Cooperative Fund (*nongcun hezuo jijinhui*) and the Rural Mutual Savings Fund (*nongcun huzhu chujinhui*) in the early 1990s. Unlike the existing Rural Credit Union, which only had a branch in each township seat, the two rural funds were set up in both townships and villages, thus making it more convenient for peasants to deposit

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<sup>114</sup> A motorcycle is the most common means of transportation in rural Hunan.

<sup>115</sup> A village liaison cadre is a township cadre who is assigned to a village, mostly to collect grain. See chapter 4 for more details.

<sup>116</sup> Director of the Office of Letters and Visits of Fenglin District, Huaizhou City, quoting peasants, June 2003.

their savings. The interest rates of the two funds were much higher than those offered by the banks and the Rural Credit Union, so many townships and villages in Hunan established these two funds.<sup>117</sup>

In theory, the two funds would boost the rural economy because they were more conveniently located, they attracted more peasant savings than the Rural Credit Union, and there were so many of them to facilitate economic growth. In practice, however, these two funds became the prey of townships and those connected with local cadres. The two funds provided easy money to townships from which they borrowed a hefty amount in 1995 and 1996. For example, by 2002, Liugongwan Township had accumulated a debt of more than 9 million yuan.<sup>118</sup> It first borrowed money in 1994 from private people. In 1995 and 1996, it borrowed more money than in any other year, most of which came from the two rural funds or from the township cadres themselves.<sup>119</sup>

The two funds made many bad loans to people connected with rural cadres. They also lent money to people whose business later went bankrupt and who could not pay back their loans.<sup>120</sup> They were staffed by people who had connections with

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<sup>117</sup> The two funds did not exist in developed areas, such as the coastal provinces. Interview with the director of the Finance Office of Wangyuting Town, Huaiyang District, summer 2004.

<sup>118</sup> This number was provided by the accountant of the fiscal office of the township when I interviewed her in March and April of 2002. The number was much larger than the 2 or 3 million yuan provided by the party secretary, the director, and several vice directors of the township during my interviews with them in 2004 and 2005. The first number may include debts owned by township agencies, such as the water management station and the rural united-school. According to the party secretary, the total township debt, including the debt of the township government and those agencies whose finance was independent, was 10 million yuan.

<sup>119</sup> Interview with the accountant of the Fiscal Office of Liugongwan Township, Huaiyang District, March and April, 2002.

<sup>120</sup> A peasant in Liugongwan township borrowed 400,000 yuan from one of the two funds and built a feed factory (*siliao chang*). The business then went bankrupt. As a result, the peasant became impoverished and could not pay back the loan. Interviews with cadres in Liugongwan Township, summer 2004 and January 2005.

township cadres. In addition to salaries, these people gave themselves bonuses and dividends.<sup>121</sup> Therefore, the two funds soon collapsed under corruption and bad management. Loans could not be repaid and peasants could not get back their deposits. As a result, a widespread rural financial disturbance began in the late 1990s in Hunan.

Because so many peasants had deposited their savings into the two funds, the funds' collapse ruined rural public finance and led to widespread peasant unrest. Peasants rioted and demanded their money back. When they did not succeed in doing that, they demanded the right to deduct their deposits from the amount of taxes and fees that villages and townships levied on them.<sup>122</sup> Townships and villages refused, which then led to clashes between the two. Some peasants who could not get their deposits back even asked fellow villagers to turn in their taxes and fees to them rather than to either their villages or townships.<sup>123</sup>

To restore rural order, both political and financial, the central government decided to give out loans with a low interest rate to local governments, which then took up the responsibility to pay back peasants and to organize work teams to collect the bad loans made by the two funds. Local governments needed to repay the central government's loans through the money they collected from borrowers of the two funds. Townships, of course, rarely succeeded in collecting loans from the debtors, so each township incurred a large amount of debt in the process. Many townships in Hunan are still paying back these loans today.

For example, Fenglin District, Huaizhou City borrowed 40 million yuan from the city government and lent the money to its 23 townships. On average, each

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<sup>121</sup> Interview with the retired director of the Fiscal Office in Dongxingyuan Town, October 2002.

<sup>122</sup> Interviews with peasants and rural cadres in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2001-2003.

<sup>123</sup> Interviews with peasants in a village in Liugongwan Township, Summer 2002.

township borrowed about 1.74 million yuan from the district to pay back the peasants' deposits. Townships and the district needed to repay the loan to the city in a few years.<sup>124</sup> Huaiyang District, the other district in Huaizhou city, borrowed 30 million yuan from the city to repay the two-rural-fund debt.<sup>125</sup> The district in turn lent Wangyuting Town 1.3 million yuan and Liugongwan Township 2.6 million yuan. Both needed to pay back the loan in eight years.<sup>126</sup> By 2002, Liugongwan Township had paid back the peasants' deposits in the rural cooperative fund, but not those in the mutual savings fund.<sup>127</sup> Altogether, the township was saddled with 8 million yuan of the two-rural-fund debt. By 2004, the debt was still 4 million yuan.<sup>128</sup> Dongxingyuan Town, Yuanxiang County had to borrow more than 1.3 million yuan to pay back the peasants' deposits in the two funds.<sup>129</sup>

### **Conclusion**

This chapter has explained why townships in Hunan experienced fiscal crisis and bureaucratic expansion in the 1990s. Townships faced a more severe fiscal plight than counties because the townships sit at the very bottom of the multi-layered bureaucracy. As a result, they had to turn in high tax quotas to counties while their

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<sup>124</sup> Interview with the director of the Budget Office of the Fiscal Bureau of Fenglin District, May 2003.

<sup>125</sup> Interview with the director of the Finance Bureau of Huaiyang District, January 2005.

<sup>126</sup> Interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, summer 2004.

<sup>127</sup> Interviews with the vice director in charge of finance and commerce and with the accountant of the Fiscal Office of Liugongwan Township, Huaiyang District, Huaizhou City, March and April, 2002.

<sup>128</sup> Interviews with the party secretary, the director, and several vice directors of Liugongwan Township, June 2004.

<sup>129</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

revenue sources dried up. To fulfill these quotas, township cadres not only had to spend all their time and energy collecting taxes, but they were also forced to purchase taxes. While townships had difficulties collecting enough revenue, they had to pay for costly rural public goods and services, such as providing for rural basic education, maintaining the water management system, maintaining rural roads, and taking care of the needy and elderly.<sup>130</sup> Among these goods and services, financing rural basic education and maintaining the water management system, including draining and irrigating land, strengthening levees, fighting against flooding, and constructing irrigation projects were the most costly and posed the most serious financial difficulties for townships.

From the early 1980s to the mid 1990s, the township government also evolved from a simple structure to an elaborate and chaotic institution consisting of the Party Committee (*dangwei*), the Township Government (*zhengfu*), the local People's Congress (*renda*), the local People's Political Consultative Conference (*zhengxie*), the three mass organizations, including the Workers' Union (*gong*), the Communist Youth League (*qing*), and the Association of Women's Affairs (*fu*), and numerous government agencies. The size of the township government expanded at least tenfold from the era of the People's Communes to the 1990s. Each township in Hunan hired more than one hundred cadres or several hundred cadres in the 1990s. On the one hand, the over-sized township government merely reflected the general "state sprawl" in China in the age of the reform. On the other hand, due to its location in the Chinese bureaucracy, bureaucratic expansion at the township level had two unique features. First, the township government itself was often not the source of the expansion.

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<sup>130</sup> Tax quotas and purchasing taxes study the fiscal capacity side of the township government. Paying for rural public goods looks at the expenditure side or the fiscal responsibility side. Combined, they demonstrate the mismatch between the fiscal capacity and the fiscal responsibilities of the local government.

Rather, the pressure came from the county or the city or simply the state. Second, because township cadres were only one step away from peasants, it was particularly hard to streamline this layer of the local bureaucracy. Paying the salaries for all these cadres posed a huge financial burden for township governments, for most township cadres were only partially funded by the county or completely self-funded by the township.

Finally, unfunded central mandates and central policies that went awry in their implementation contributed to the fiscal crisis of townships in Hunan. Specifically, the decision to reach the two basic education standards in rural China (*liang ji*), to establish two rural funds (*liang jin*), and to abolish the rural district, consolidate small townships, and establish towns (*chequ bingxiang jianzhen*) both wrought fiscal havoc to townships and villages in Hunan.

Given the fiscal crisis and bureaucratic expansion, it was not surprising that rural public finance in Hunan since the 1990s depended heavily, if not solely, on taxes and fees collected from peasants. Townships depended on taxes and fees from peasants to pay salaries to teachers and cadres, to pay back some of their huge debts, to fulfill tax quotas assigned by counties, to provide public goods mandated by higher levels of government, such as new schools and new roads, and to pay for their “public expenditures,” such as cars, mobile phones, and meals. Without money collected from peasants, townships could not function for a single day.

### **CHAPTER 3:**

## **THE EMERGENCE OF THE LOCAL PREDATORY STATE: TYPES AND VARIATIONS OF TAXES AND FEES**

The last two chapters gave a detailed explanation of bureaucratic expansion and the fiscal crisis of counties and townships in Hunan since the early 1990s. This chapter and the next one will analyze the emergence of the local predatory state in Hunan that resulted from the crisis and expansion. This chapter will analyze township and village public finance and the bewildering array of taxes and fees that townships and villages extracted from peasants since the early 1990s. It will also explain variations of the amount and types of taxes and fees across different topographies and time periods in Hunan. The next chapter will analyze the grain collection process. Overall, the two chapters argue that local governments and peasants in Hunan had become enemies since the early 1990s. A profound crisis was looming in rural China.

### **The Emergence of the Local Predatory State**

As explained in chapter 2, in the 1990s and beyond, taxes and fees collected from peasants became the single most important source of income for townships. Peasants financed a township's every need, ranging from paying salaries to its cadres to providing public goods mandated by the central government, such as rural basic education. Local governments made unlimited fiscal demands on peasants. In the words of a local cadre, "The central government ensures its own fiscal capacity, whereas peasants underwrite local governments. Peasants take money out of their own pockets to ensure the functioning of local governments."<sup>1</sup> Thus emerged the issue of

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<sup>1</sup> Interviews with cadres in the Bureau of Economic Management in Sishui, Jan. 2002. In the cadre's words, "*zhongyang bao zhongyang caizheng, nongmin bao jiceng zhengquan. Nongmin na qian bao jiceng zhengquan.*"

“peasant burdens,” which plagued vast areas of rural China from the early 1990s through 2004, the year when peasant burdens were lowered for the first time in more than a decade as a result of the rural tax-for-fee reform (2002-2006).<sup>2</sup>

## **Types of Taxes and Fees**

### **State and County Taxes**

Townships and villages in Hunan collected close to twenty types of taxes, fees, fines, and funds (*ji zi*) from peasants in the mid-1990s and beyond.<sup>3</sup> In lake areas, local governments sometimes charged more than 30 categories of taxes and fees from peasants.<sup>4</sup> These taxes, fees, and fines could be separated into two large categories: those levied by the state (*guo jia*) and those charged by the local government, including village fees. Although the tax charged by the state was light, taxes, fees, and fines charged by the local government were onerous. In the words of peasants, “The first tax is light. The second tax is heavy and the third and fourth taxes are bottomless.”<sup>5</sup> The first tax was the agricultural tax. The second tax referred to standard taxes and fees charged by townships and villages, commonly called “three fees and five unified” (*santi wutong*). The third and fourth taxes were random, lawless, and exorbitant fees, funds, and fines that townships and villages collected from peasants.

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<sup>2</sup> See chapter 7 for details on the rural tax-for-fee reform.

<sup>3</sup> Interviews with peasants in northern and central Hunan, 2001-2003.

<sup>4</sup> Interviews with peasants in Sishui City, a lake county in northern Hunan, Dec. 2001-Jan. 2002.

<sup>5</sup> Interview with a researcher in the Policy Research Office of the Provincial Party Committee of Hunan, Changsha, March 2002. In Mandarin the expression is “*doushui qing, ershui zhong, sanshui sishui wuditong*.” See also Bernstein and Lu, *Taxation without Representation*, 59.

### *The Agricultural Tax (nongye shui)*

The agricultural tax was the tax that peasants turned in to the state for each *mu* of land that they tilled. This tax was measured in grain (*zheng shi*) or in kind, rather than in cash (*zheng dai jin*). It was usually paid in kind. Since 1985, however, the agricultural tax was denoted in grain but paid in cash.<sup>6</sup> This was an ancient tax, known among peasants and local cadres alike as the “imperial grain and state tax” (*huangliang guoshui*). When the agricultural tax was finally abolished nationwide in 2006, it was said that this act terminated a tax that lasted 2600 years. As revealed by the phrase “imperial grain,” peasants understood the agricultural tax to be their fiscal obligation toward the state or the central government for tilling the land. In reality, based on the fieldwork, it was the county, rather than the central government that collected and used the agricultural tax. As mentioned in chapter 2, townships could not share the agricultural tax with counties. It was a task that they had to fulfill. Townships, however, could keep 5% of the agricultural tax surcharge, which was levied at 14% of the agricultural tax.<sup>7</sup>

Townships, after receiving the agricultural tax quota from counties, distributed it among villages, based on the amount of land each village had. Village cadres then further divided the agricultural tax among individual peasant families. The amount was written on peasant burden cards, which were issued to each peasant family in the mid 1990s.<sup>8</sup> The last step of this tax assigning process where the agricultural tax was recorded on individual peasant families’ burden cards differed from the practice during the era of the People’s Communes (1960s through early 1980s), when taxes

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<sup>6</sup> *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 36.

<sup>7</sup> Interviews in Huaizhou, Zizhou, Sishui, and Yuanxiang, 2001-2003.

<sup>8</sup> See the section entitled “Step One: Assigning Taxes and Fees” in chapter 4 for an explanation of peasants’ burden cards.

were assigned to each production team (*shengchan dui*), rather than to individual peasant families. Ever since the family responsibility system went into effect in rural China in the early 1980s, individual peasant families, rather than production teams, became the accounting unit for tax purposes.<sup>9</sup>

In oral communications with peasants and cadres and on various records of peasants burdens, such as peasant burden cards and village and townships grain and money collection tables, the agricultural tax was alternatively called the agricultural tax (*nong ye shui*), taxed grain (*zheng liang*), public grain (*gong liang*), or simply grain (*yuan liang*). The agricultural tax was called different kinds of grain simply because it was taxed in kind, rather than in cash most of the time. Because it was a tax, peasants were not paid money when they turned in their grain.

The agricultural tax was quite light. The amount was fixed in 1958 and had remained constant until the rural tax-for-fee reform in 2002, which raised the rate to 7%. Because the amount of the agricultural tax remained the same when grain output per *mu* had improved significantly since 1958, the agricultural tax rate was as low as around 3% in the 1990s.<sup>10</sup> This tax ranged from 15 kg to 35 kg per *mu*, depending on the quality of land, which was categorized into three kinds, including the first rate (*shang deng*), the second rate (*zhong deng*), and the third rate (*xia deng*). The first rate (*shang deng tian*) was only taxed at around 30 to 35 kg of grain per *mu*. The third rate

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<sup>9</sup> The three-tiered system of the rural collectives consisted of a production team (*shengchan dui*), a brigade (*dadui*), and a people's commune (*renmin gongshe*). A production team was the basic accounting unit. When the family responsibility system went into effect in the early 1980s, a production team became a team (*zu*), a brigade became a village (*cun*), and a people's commune became a township (*xiang*).

<sup>10</sup> Various interviews with cadres in the Finance Bureaus of Sishui City, Huaiyang District, Huaizhou City, and Fenglin District, Huaizhou City (2001-2003). Interviews with cadres in the Rural Tax-for-Fee Reform Office in the Department of Finance of Hunan province (March 2002). Interviews with cadres in the Rural Tax-for-Fee Reform Office in the Finance Bureau of Huaizhou (Oct. 2002 and June 2003) and with the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City (June 2002). See also *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 35. The number provided in this book is 2.5%.

(*xia deng tian*) was taxed with 15 to 20 kg of grain per *mu*.<sup>11</sup> For example, the agricultural tax for Liugongwan township in Huaiyang District was 674,495 kg total or 26.7 or 26.8 kg per *mu* on average (tables A.6-7). It was 29.7 kg per *mu* for Qingpu Town, Zizhou County (table A.22) and 36.7 kg per *mu* for Dongxingyuan Town, Yuanxiang County (table A.24).

### ***Procurement Grain***

The state also purchased grain from peasants. In addition to the agricultural tax on grain, each year every peasant family was also assigned a procurement grain quota (*gou liang*). Unlike the agricultural tax, peasants were paid money when they turned in the procurement grain. The price, called procurement price (*gouliangjia*), plate price (*paijia*), or adjusted price (*ping jia*), however, was usually lower than the market price.<sup>12</sup> Every year after they harvested grain in the fall, individual peasant families would bring grain to the grain station (*liang zhan*) in a township. This was called “turning in grain to (the state).” Grain stations paid peasants not with cash, but with a receipt describing the grade and the amount of grain that peasants sold, which peasants used to clear their accounts (*jie zhang*) with their village accountants.<sup>13</sup>

In the 1980s when peasant burdens were light, the procurement grain that peasants sold to the state was more than enough to pay their taxes and fees and they got paid from their village accountants when the peasants cleared their accounts. The

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<sup>11</sup> Interview with a retired village accountant in Lijiamiao Village, Liugongwan Township, Huaiyang District, Huaizhou City, Nov. 2001.

<sup>12</sup> Interviews with both the retired and the current village accountant in Village Lijiamiao, Liugongwan Township, Huaiyang District, Nov. 2001. Interview with a village accountant in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002. Interview with a retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>13</sup> See the section entitled “Step Two: Collecting Grain Before 1998” in chapter 4 on how peasants cleared their accounts with their villages.

money enabled peasant families to pay for their children's tuition to attend schools, which started on September 1 in the fall, right after the harvest. Thus, peasants were very enthusiastic about selling grain to grain stations in the 1980s. In the 1990s, however, as peasant burdens became heavier and heavier, after turning in grain to a grain station, peasants still owed townships and villages many taxes and fees. Instead of getting paid by their village accountants, they actually had to bring money with them to clear their accounts.

When peasants complained about heavy burdens in the 1990s and contrasted them to the light burdens in the 1980s, they always used as an indicator whether they got paid or not after turning in grain to the state, as can be seen from the following comments:

Case one: A peasant in a lakeside village in Huaiyang District, Huaizhou City complained that the burden level in 2000 was significantly heavier than that in 1981. His family cultivated 6.8 *mu* of land in 1981. They turned in 557 kg of grain to the state and received 100 yuan from the village. In 2000, the family cultivated 8 *mu* of land and had to turn in 1,200 kg of grain to the state. However, the family was not paid any money at all for all of this grain. Instead, they had to bring more than 100 yuan to the village to clear their accounts.<sup>14</sup>

Case two: In my village, land was distributed to individual peasant households in 1980. As a result, peasant enthusiasm for cultivating the land increased rapidly. Until 1994, peasants were still enthusiastic about tilling the land, because after turning in the taxed grain (*zheng liang*) and the procurement grain (*gou liang*) to the state, peasants not only could pay for all taxes and fees, but they also received money, which was enough to pay for their children's tuition that was due on September 1. Nowadays, even though peasants no longer have to turn in the procurement grain, the amount of grain that they have to turn in to the local government is similar to before.<sup>15</sup> In addition, they

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<sup>14</sup> Information collected by a vice director of the Bureau of Audit (*shenji ju*) in Huaiyang District, Huaizhou City who was stationed in Yongbozhou Village, Qianjiaping Township as a member of the rural tax-for-fee reform work team organized by the district, March 2001.

<sup>15</sup> The grain reform in 1998 abolished the procurement grain. See the section entitled "1998 Policies and Their Impact" in chapter 4 for more details.

still have to pay money to the local government to clear their accounts. As a result, peasants no longer want to till land and many have abandoned it. Every team in this village has land that is abandoned. There are nine people in my family and we have more than seven *mu* of land. However, we are only tilling a little more than 1 *mu*. The rest lies fallow. My two sons are both doing small businesses. One is selling marinated meat and the other is doing some wholesale business.<sup>16</sup>

Case three: In my brigade (*da dui*),<sup>17</sup> there is not a single year [in the 1990s] when we received money after turning in grain to the state. Every year we had to bring some money with us to clear our accounts.<sup>18</sup>

Case four: I remember that in 1997 my village altogether turned in more than 80,000 kilos of grain to the grain station. We only got 0.21 yuan back.<sup>19</sup>

### ***The Pig Slaughtering Tax and the Special Agricultural Product Tax***

Townships also collected the pig slaughtering tax and the special agricultural product tax from peasants on behalf of counties. Unlike the agricultural tax, these two taxes were incomes that a township could share with a county. The special agricultural product tax was a type of fiscal tax (*cai zheng shui*) collected by a township's fiscal office. The pig slaughtering tax was a type of local tax (*di shui*) collected by local tax officers. As explained in chapter 2, each township was assigned a basic figure (*ji shu*) of fiscal taxes, local taxes, and state taxes that it had to turn over to a county.<sup>20</sup> Once it

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<sup>16</sup> Interview with a retired village accountant in Lijiamiao of Liugongwan Township, Huaiyang District, Nov. 2001.

<sup>17</sup> Though rural collectives were abolished in the early 1980s, their linguistic influence lingers on. Many peasants still refer to their villages as brigades and their teams as production teams. It is interesting that though many peasants continue to use the terms “brigades” and “production teams,” only the very old still refer to townships as the People's Communes. Further, village cadres are more likely to use the new terminology than ordinary peasants. Interviews in Huaizhou, Zizhou, Yuanxiang, Sishui, and Jianglu, 2001-2003.

<sup>18</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>19</sup> Interview with the village accountant in Lijiamiao Village, Liugongwan Township, Huaiyang District, Nov. 2001.

<sup>20</sup> See the section entitled “Fiscal System at the Township Level” in chapter 2 for details.

fulfilled the basic tax-sharing figure, a township would get a share of the taxes through budget appropriation.

Because the economy of townships in Hunan stagnated in the 1990s, the pig slaughtering tax became an important source of income for a township. For example, in Liugongwan Township, Huaiyang District, the pig slaughtering tax amounted to 53% of all local taxes in 2000 (table 2.2 ). To make sure that they could fulfill the basic local-tax figure, townships distributed the pig slaughtering tax quota among villages, no matter if peasants slaughtered pigs or not. Each village was assigned a certain number of pigs slaughtered, which was then converted to several thousand yuan of the pig slaughtering tax (table 3.1). A village then divided the quota either among households or individual peasants. For example, Zhutian Village, Dongxingyuan Town, Yuanxiang County was assigned 157 pigs slaughtered in 2002 and each slaughtered pig was taxed at 12 yuan. The total pig slaughtering tax that the village needed to pay was 1,884 yuan. On average, each of the 400 households in the village needed to pay 4.71 yuan of the pig slaughtering tax.<sup>21</sup> In Lijiamiao Village, Liugongwan Township, Huaiyang District, every four peasants had to share the tax of one slaughtered pig before 2002.<sup>22</sup> Before the pig slaughtering tax was abolished in 2002 during the rural tax-for-fee reform, a county could usually collect several million yuan of the tax. For example, Huaiyang District, a small county with 300,000 peasants and 10 townships collected 1.02 million yuan of the pig slaughtering tax in 2001.<sup>23</sup>

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<sup>21</sup> Interview with the accountant in Village Zhutian, Dongxingyuan Town, Yuanxiang County, Oct. 2002. This village has 400 households.

<sup>22</sup> Interview with a retired village accountant in Lijiamiao Village, Liugongwan Township, Huaiyang District, Nov. 2001.

<sup>23</sup> Number taken from *Huaiyang qu 2002 niandu nongcun shuifei gaige shangji zhuan yi zhifu fenpei biao* [Table on the distribution of the rural tax-for-fee reform transfers in Huaiyang District in 2002] made by the Rural Tax-for-Fee Reform Leading Group of the Finance Bureau of Huaiyang District.

The special agricultural product tax is levied on “cash crops,” such as fish, fruits, bamboo, and oil seeds. Because the farmland occupation tax and the deed tax in Hunan were almost nil (table 2.2), the special agricultural product tax became the only tax that townships in Hunan could collect to fulfill the fiscal-tax quota. In order to do so, townships collected this tax even when peasants did not grow any cash crops. For example, in order to fulfill its fiscal tax quota of 165,000 yuan (table 2.1), Liugongwan Township assigned each village a few thousand yuan of the special agricultural product tax (table 3.1).

Furthermore, townships made peasants pay for both the agricultural tax and the special agricultural product tax for the same crop. For example, in Qizong Township in Qinggang, a county-level city in central Hunan, the township charged both the special agricultural product tax and the agricultural tax for the cotton that peasants planted.<sup>24</sup> Townships distributed the special agricultural product tax quota on land, rather than on households, as was the case with the pig slaughtering tax. For example, in Qingpu Town, Zizhou County, every *mu* of fish pond was charged 20 yuan of the special agricultural product tax, even when fish ponds dried up or when the peasants’ fish were poisoned by pesticides and peasants generated no income from farming fish.

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<sup>24</sup> Interviews with peasants and peasant protest leaders in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004.

**Table 3.1: Quotas of the Pig Slaughtering Tax and the Special Agricultural Product Tax in Villages of Liugongwan Township (unit: yuan)**

Village Name	1999 Special Agricultural Product Tax	2001 Special Agricultural Product Tax	2001 Pig Slaughtering Tax
Qing Xi Qiao	6,724	3,150	4,700
Li Jia Miao	5,700	4,080	5,100
Qi Ban Qiao	7,743	5,200	5,900
Tian Di Wan	6,753	3,300	6,300
Li Hua Dian	6,277	9,160	6,500
Feng Yu Gang	6,063	5,500	5,700
Pei Gong Di	5,036	4,980	4,200
Zhu Sha Qiao	3,071	4,000	2,900
Yang Mu Lin	7,369	14,180	5,400
Bai Jin Wan	6,712	11,500	4,900
Tian Jia Gang	6,551	3,400	4,200
Mao Xian Wan	5,224	2,800	3,600
He Ye Wan	4,581	4,500	3,600
Liu Gong Wan	8,058	8,270	7,400
Hui Long Pu	4,464	3,800	4,000
Huo Yan Chong	5,277	5,730	3,600
Mao Jia Shan	5,547	8,880	6,000
Qing Shi Gang	5,170	5,260	5,900
Long Hu Wan	8,213	8,200	5,700
Hu Tiao Ba	5,075	5,250	4,300
Chang Zhou	5,392	4,350	4,900
Jia He Chang	0	1,960	8,00
Fen Dou Yuan	0	0	4,800
Total	125,000	127,450	110,400

Sources: *Guanyu xiada 1999 niandu nongye techanshui renwu de tongzhi* [Circular regarding the special agricultural product tax quota for 1999] issued by the Liugongwan Township on July 5, 1999. *Liugongwan xiang gecun (chang) nongye techanshui ji nongye techanshui fujia renwu* [Quotas of the special agricultural product tax and its surcharge for all villages (farms) in Liugongwan Township] made by the township government in April 2001; *Liugongwan xiang 2001 nian tuzai shui nongye techanshui renwu fenpei biao* [Table on the distribution of the quotas for the pig slaughtering tax and the special agricultural product tax of Liugongwan Township in 2001].

In the same town, every *mu* of hilly land that planted the oil seeds tree was charged 5 yuan, even when peasants did not harvest much of an oil seed crop.<sup>25</sup> All other cash crops were charged one yuan per *mu*. Some villages, such as Zhutian of

<sup>25</sup> Because peasants no longer collected firewood from forests after they switched to coal, they stopped taking care of their forests. As a result, grass grew wildly and the yield of oil seed trees was very low. Interviews in villages in Zizhou County, 2001 and 2002.

Dongxingyuan Town, Yuanxiang County, merged the special agricultural product tax with the agricultural tax so that peasants would turn in both taxes when they paid their agricultural tax. Peasants resented the fact that they had to pay taxes for things that they did not grow or raise. “What the hell! Do we grow any kind of special products at all? Yet they still demand money from us.”<sup>26</sup>

### **Fees from Local Governments**

The entire village governance and many functions of townships were funded by peasants, rather than by the state. Thus, peasants needed to pay village levies (*cun tiliu*) and township unified fees (*xiang tongchou*).

#### ***Village Levies (cun tiliu)***

The lowest level of the Chinese bureaucracy is the township, rather than the village, which is one level below the township. However, village cadres are a crucial part of the Chinese bureaucratic structure. They are the ones who interact with peasants on a daily basis and actually govern them. Without village cadres, the Chinese state would not be able to reach millions of peasants (Shue 1988). Village cadres, though called “cadres,” are actually peasants not paid by the state. In the 1990s, their salaries and all the public expenses of the village governance were completely funded by fellow villagers. Villages also needed to construct small village-wide public projects, such as building village roads, subsidizing public expenses for village schools, and constructing small irrigation projects, including ditches and ponds. In addition, villages had to take care of their old and the poor.<sup>27</sup>

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<sup>26</sup> Interviews with peasants and a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

<sup>27</sup> Interviews in villages and townships in Huaizhou, Zizhou, and Yuanxiang, 2001-2003. See also “Nongmin chengdan feiyong he laowu guanli tiaolie” [The administrative rules on fees and labor services shouldered by peasants] issued by the State Council on Dec. 7, 1991 in *Jianqing nongmin*

Thus, the villages charged three types of fees on peasants, called the public accumulation fund (*gong ji jin*), the public welfare fund (*gong yi jin*), and the administrative fee (*guan li fei*). The accumulation fund was used to build public projects at the village level, such as maintaining village roads, village schools, village ponds, and so on. Public welfare funds were used to pay stipends to five-guarantee households (*wubaohu*) and to help extremely poor peasants.<sup>28</sup> The administrative fee was used to pay for the public expenses of the village governance and to pay some salary to village and team cadres as a compensation for the time they spent on public duties. In theory, three types of levies were used on three different purposes. In reality, all the money on a village account was mixed together and was used according to the financial needs of a village.

Though the exact number of village cadres could vary from three in a small village to seven in a larger one, a typical village in Hunan in the 1990s and beyond usually had five cadres, including the village party secretary, the director of the village, the director of women's affairs, the village accountant, and the village clerk (*chu na*).<sup>29</sup> Each village also consists of teams and each team has a team head (*zu zhang*). A team consists of dozens of peasant families and usually has more than 100 peasants. An average village in Hunan has more than 1,000 peasants and more than 10 teams.<sup>30</sup> In addition to village cadres and team heads, some villages also have what is

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*fudan zhengce fagui xuanbian* [A compilation of policies and laws on lowering peasant burdens] (Beijing: Zhongguo fazhi chubanshe, 1999), 14-21. I got hold of the book from several peasants who were petitioning the Permanent Committee of the People's Representatives (*renda changwei*) of Sishui City about heavy burdens in late 2001.

<sup>28</sup> Five-guarantee households are peasants who have reached age 60 and who do not have children (usually sons) to take care of them.

<sup>29</sup> Villages faced intense pressure to cut down the number of cadres from five to three after the rural tax-for-fee reform in 2002, which lowered a village's income.

<sup>30</sup> An average village in Hunan has more than 1,000 peasants. See the section entitled "Step Two: Collecting Grain Before 1998" in chapter 4 for evidence.

called “female team heads,” women in a team who are in charge of women’s affairs. The number of female team heads is usually smaller than that of team heads. For example, Zhutian Village, Dongxingyuan Town, Yuanxiang County had seventeen teams but only eleven female team heads in 2002.<sup>31</sup> Suanzao Village in the same town had fourteen teams but only six female team heads in 2004.<sup>32</sup>

All these village and team cadres were paid by fellow villagers. Table 3.2 shows the salary level of two hilly villages in Hunan. Jinhu Village is located in Yuanxiang County and Tongqiao Village is located in Zizhou County. Both are hilly areas. In addition, each village in Hunan needed more than 1,000 yuan a year to pay for its team heads and female team heads, each of whom was paid dozens of yuan a year.<sup>33</sup> Altogether, a hilly village in Hunan needed about 10,000 yuan a year to pay for the salary of village and team cadres.

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<sup>31</sup> Interview with the village accountant in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>32</sup> Interview with the village party secretary of Suanzao Village, Dongxingyuan Town, Yuanxiang County, summer 2004.

<sup>33</sup> For example, Jinhu Village, Dongxingyuan Town which had 808 *mu* land and 929 peasants in 2002 collected 1 yuan from each *mu* of land to pay for team head wages (interview with the village party secretary, Oct. 2002). Suanzao Village of the same town, which had 14 teams, 1,029 peasants, and 1,069.8 *mu* of land in 2004, levied 1.2 yuan on each *mu* of land to pay for the wages of its 14 team heads. Each of the 6 female team heads was paid 40 yuan a year (interview with the village party secretary, summer 2004). Zhutian Village in the same town had 17 teams, 11 female teams, and 400 households in 2002. Each household was charged 3 yuan to pay for the wages of its 17 team heads. Each of the 11 female team heads was paid 60 yuan a year (interview with the village accountant, Oct. 2002).

**Table 3.2: Minimum Salary for Village Cadres in Hilly Areas in Hunan (unit: yuan)**

Types of Cadres	Jinhu	Tongqiao
Village Party Secretary	180	170
Village Director	160	160
Village Accountant	150	150
Director of Women's Affairs	140	96
Village Clerk	0	30
Total monthly salary	630	606
Total annual salary	7,560	7,272

Sources: Interviews in Zizhou County and Yuanxiang County in Hunan, 2001 and 2002.

The salaries for village cadres in mountainous areas were somewhat lower and those in lake areas were significantly higher than this. For example, village cadres in Huxian, a lake county near Lake Dongting in Huaizhou, had to be paid 3,000 to 4,000 yuan a year, whereas those in Pingyuan, a mountainous county in the same prefecture was only paid about 1,000 yuan year. This discrepancy existed because in addition to collecting taxes and fees, which was common in all three topographies in Hunan, village cadres in lake areas had to spend a few months every year organizing peasants to strengthen levees and fight against flooding, which was unique to lake areas.<sup>34</sup>

Villages in China were also responsible for providing many public goods and constructing public projects on their own, with no or little state investment. China's economy development model, during both the socialist era and the reform era, neglected the countryside and widened the urban-rural divide. This tendency to neglect the countryside, particularly in terms of providing public goods, such as taking care of the old and sick and providing for basic education, became much more severe during the reform era.

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<sup>34</sup> Interviews with two cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

During the era of the People's Communes, in spite of the urban-rural divide, the state invested a substantial amount in the countryside, particularly on irrigation projects. Many reservoirs, ditches, culverts (*han dao*) that are in use today were built during that era.<sup>35</sup> The state also invested in small rural industries in the 1970s, which then formed the backbones of TVEs that prospered briefly in the 1980s and early 1990s (Whiting 2001). Because assets such as land, animals, large farming tools, and industrial assets were publicly owned, rather than being divided among individual peasant households, the collectives, including both the production teams and the brigades provided some basic welfare and public goods to peasants, including providing relief to extremely poor families, taking care of old peasants who did not have sons to support them, providing basic health care to peasants through barefoot doctors, paying salaries to village teachers (*minban laoshi*), and providing assistance to children from extremely poor peasant families to attend schools.

In the reform era, since 1985, state investment in the countryside actually declined (Ash 1991, 1992). Further, fiscal decentralization in the reform era made local governments to fund many public projects. Because local governments in Hunan and other central provinces were poor, as their public sector collapsed under the double pressure of competition and corruption and they were unable to compete with coastal areas for private and overseas capital, they could not invest at all in building roads or constructing irrigation projects in villages. As a result, the villages had put levies on peasants to build and maintain roads, to fix ponds and reservoirs, to build village schools, and to take care of the old and the poor. Individual peasant households, rather than village collectives, had to fund these projects because by the 1990s, most villages in Hunan had lost their public assets and had no income

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<sup>35</sup> Interviews with peasants, village cadres, and township cadres in Huaizhou, Yuanxiang, Zizhou, Sishui, and Jianglu, 2001-2003.

whatsoever. When the family responsibility system was adopted in the late 1970s and early 1980s, village assets like land, grain, and large farm tools were divided among individual peasant households. After TVEs collapsed in the early 1990s, most villages in Hunan became completely impoverished, having lost their only remaining industrial asset.<sup>36</sup>

In addition, villages in Hunan had two other large expenses, including newspaper subscription and meals, phone bills, transportation fees, and meeting fees. Villages were forced by townships and counties to spend a few thousand yuan a year to subscribe to party newspapers (*dang bao*) and party magazines (*dang kan*). Villages also spent a large sum of money wining and dining high-level cadres, usually township cadres.<sup>37</sup> In the 1990s, whenever township and county cadres visited villages, village cadres had to treat them. This money could easily exceed 10,000 yuan a year for a village.<sup>38</sup> Furthermore, villages needed to pay for village cadres' mobile phones bills, gas bills and maintenance fees for motorcycles, the main transportation tool in the countryside. Finally, villages in Hunan needed to pay at least 5 yuan to a peasant to attend a half day meeting. A village in Hunan needed to hold more than 10 meetings a year, including meetings attended by village communist party members, team heads, and peasant representatives (*cunmin daibiao*), and occasionally by all villagers. Organizing one village-wide meeting attended by all or most villagers alone would cost more than a few thousand yuan.<sup>39</sup>

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<sup>36</sup> Ibid.

<sup>37</sup> Excessive entertainment expenses topped the peasants' list of complaints. See the section entitled "How Peasants Viewed Local Government" in chapter 4 for more details.

<sup>38</sup> Interviews in counties in northern and central Hunan, 2001-2003. The number came from my interview with the village party secretary of Jinhu Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>39</sup> Interviews in villages in Huaizhou City and Yuanxiang County, 2001-2003.

Excluding entertainment and other “public expenses,” what follows is a look at the yearly expenditure needs of two villages in Hunan in order to get a sense of the bare minimum amount of money that a village in a hilly part of Hunan needs in order to keep functioning. With collapsed TVEs and few public assets, all the financial needs of the villages were met through collecting the aforementioned three village fees from peasants. When the three regular village levies were not enough to cover the expenses, such as when they needed to build a new school, a new road, or a new ditch, villages either borrowed money or simply raised funds (*ji zi*) from peasants. Almost every village in Hunan charged the three village levies in the 1990s and beyond.

**Table 3.3: Minimum Expenditures of Two Hilly Villages in Hunan (unit: yuan)**

Categories	Village Jinhu	Village Zhutian
Population	929	1,235
Land Size	808 mu	1,472
Village Cadres' Salaries	7,560	8,300
Team Cadres' Salaries	808	1,860
Newspaper and Magazine Subscription	2,000	n/a
Compensation for Meeting Attendances	5 yuan per person several thousand for one village-wide meeting	4 yuan per person for half a day of meeting
Public Project Fees	404 ( 0.5 per mu levied to repair power lines)	1,420 (to maintain village roads)
Five-Guarantee Households Fees	5,20 yuan per person* 350 kg of grain	240 yuan per person 350 kg of grain

Sources: Interviews in Jinhu Village and Zhutian Village in Dongxingyuan Town of Yuanxiang County, Oct. 2002.

\*Per person here means each old peasant who eats the “five-guarantee” grain. Supposedly, a village and a township shared the responsibility of providing a stipend for a five-guarantee household. In reality, many five-guarantee households were neglected, in spite of the money collected in their name. His or her fellow team members provided the grain. Interviews in Huaizhou, Yuanxiang, and Zizhou, 2001-2003.

Only a handful of villages in Hunan were rich enough not to collect anything from peasants, such as Yinshan Village mentioned in chapter 1.<sup>40</sup> The amount of the three village levies was usually determined by villages themselves. Thus, the level of village levies varied from village to village even within the same township. Smaller villages with some public assets and fewer financial needs collected less from peasants. Large villages burdened with debts tended to collect more. Villages in lake areas also collected more fees than those in either hilly or mountainous areas. Between 1988 and 1994, the three village fees were only a few yuan per person (table A.28). From 1995 to 2001, however, villages typically collected between 15 yuan to close to 30 yuan per *mu* or per person of village fees (tables A.28-31).

### ***Township Unified Fees (xiang tongchou)***

Townships charged unified fees from all peasants in the township. These fees were used to construct township-wide projects and to provide public goods that were not funded or only partially funded by the state. These fees were aggregated at the township level, meaning they were a township's income and could be used either to build public projects that could not be done by one village, such as a ditch that ran through several villages or a township middle school, or to subsidize village projects, such as returning a portion of the money to a village if it built a new road, a new school, or a new pond. The types of township unified fees increased over time. There was neither the road construction fee nor the family planning fee until 1992 (table A.1). Since the middle 1990s, however, every township in Hunan collected five types of unified fees, including the education surcharge (*jiaoyu fei fujia*), which was

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<sup>40</sup> See the section entitled "The Extent of the Crisis" in chapter 1 on Yinshan Village, which was the richest village in Hunan in the 1990s and the early 2000s.

sometimes called the township and village education fee (*xiangcun banxue jingfei*), the family planning fee (*jihua shengyu fei*), the militia training fee (*minbin xunlian fei*), the military allowance fee (*youfu fei*), and the township and village road maintenance fee (*xiangcun daolu weixiu fei*). Peasants and local cadres commonly referred to village and township fees as the “three levies and five unifieds” (*santi wutong*).

The education surcharge was levied on each peasant to pay for teacher salaries. It had been collected since 1988, the earliest year that my fieldwork data covered (table A.1). The education surcharge was the largest township unified fee in the 1980s and the 1990s when it accounted for 40-50% of the village and township fees (tables A.1-2 and A.28). Since 1998, the education surcharge accounted for 40% of the “three levies and five unifieds.” Specifically, the overall “three fees and five unifieds” could not exceed 5% of a peasant’s net annual income, and the education surcharge took up 2%. For example, in Sishui City, a peasant net annual income was set at 1,818 yuan in 2001, and 2% or 36.36 yuan was the education surcharge.<sup>41</sup> In Qingpu Town, Zizhou County, a peasant’s annual net income was set at 1,600 yuan in 1999. Two percent or 32 yuan was the education surcharge. The other four types of the unified township fees took up 1.3% or 19.5 yuan and the three village levies were 1.7% or 25.5 yuan.<sup>42</sup> The education surcharge was collected because the county’s education budget could only pay for teacher salaries for about half a year. A county in Hunan collected tens of millions of yuan of the education surcharge a year.

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<sup>41</sup> Interviews with cadres in the Economic Management Bureau of Sishui City, Jan. 2002.

<sup>42</sup> Interviews in villages in Qingpu Town of Zizhou County, 2001. Peasants’ net annual income for the three levies and five unifieds other than the education surcharge was set at 1,500 yuan, rather than 1,600 yuan.

The family planning fee was first collected in 1992. It was used to cover all the costs related to family planning in a township. The biggest item was paying for family planning cadre salaries. A typical township in Hunan usually employed more than ten family planning cadres, who received little budget appropriation from counties and were funded by townships (tables 2.6 and 2.7).<sup>43</sup> Between 1995 and 2001, a township usually collected a few yuan a person a year of the family planning fee.

The militia training fee was collected to train militias for each village. The fee was also usually a few yuan per peasant a year. Training militias dated from the collectivist era where peasants were taught basic military skills so that they could protect villages from dangers. Before the rural district was abolished in 1995, each rural district trained militias for the several townships under its governance.<sup>44</sup> After that, the county's Department of Armed Forces (*wuzhuang bu*) trained militias from the entire county. The military allowance was the money paid to a peasant family whose son joined the military service. Usually these two fees were separate. In some townships, such as in Liugongwan Township, Huaiyang District (tables A.6-7), the two fees were combined and called the national defense fee (*guofang fei*).

Finally, townships collected the road maintenance fee from peasants, for counties appropriated little money to maintain village and township roads. The fee was collected mostly to fix holes in the township road (*xiang dao*), which was the big road that one could see when one reached a township government compound.<sup>45</sup> This road linked different villages in a township. Townships were supposed to return some part

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<sup>43</sup> For example, the family planning office in Dongxingyuan Town, Yuanxiang County hired 13 cadres in 2002. Interviews in the town, Oct. 2002.

<sup>44</sup> See the section entitled "Power of the Local Government and Two Central Policies Gone Awry" in chapter 2 for details on abolishing rural districts.

<sup>45</sup> Interviews in villages and townships in Huaizhou City, Zizhou County, Yuanxiang County, and Sishui City, 2001-2003.

of the road maintenance fee to villages to fix their roads, which were much smaller and linked different teams within a village. Village roads (*cun dao*), however, were mostly maintained by villages, rather than townships.

### ***Five-Guarantee Household Grain and Fee (wubaohu fei)***

As defined previously, five-guarantee households are peasants older than 60 who do not have children to support them. Teams and villages were responsible for supporting five-guarantee households, who received grain each year from their teams and money from their villages and townships (table 3.3). Because team members had to pay for the grain, whether a peasant could be given a five-guarantee household status and “eat the five-guarantee grain” (*chi wubao liang*), in the words of the peasants, depended on whether the peasant’s team members agreed to that.<sup>46</sup>

Supporting five-guarantee households was usually not unified at the township level, which meant that each village took care of its own five-guarantee households. The money to support five-guarantee households came from the village public welfare fund. Hence, many villages called their public welfare fund the five-guarantee household fee (tables A.1-3 and A. 6-8). Some townships, however, did unify the support for five-guarantee households. These townships collected either the five-guarantee household grain, or the five-guarantee household fee, or both from peasants. Liugongwan Township, for example, collected both the five-guarantee household fee and grain from 1992-1998 (tables A.6-7).<sup>47</sup> Unifying the five-guarantee household fee at the township level increased peasant burdens. Whenever a fee became unified at the

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<sup>46</sup> Interview with the accountant of Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>47</sup> In 1998 when peasant burdens were among the heaviest in Huaizhou, the township collected 12 yuan of the five-guarantee household fee from each peasant, which was a hefty amount. That year it did not collect the five-guarantee household grain. Interviews in Liugongwan Township, Huaiyang District, 2001 and 2002.

township level, it became a quota that a village had to fulfill. Because townships were caught in a deep fiscal crisis since the mid 1990s, they very often failed to support five-guarantee households even though the townships collected the money. Villages and teams had to collect money again for their five-guarantee households.

Some townships, for example, Dongxingyuan Town, Yuanxiang County, instead of paying money to five-guarantee households, deducted the money that it was supposed to pay to the five-guarantee households in a village from the amount of money that the village needed to turn over to the township. This made a village responsible for collecting grain and money to pay for its five-guarantee households.<sup>48</sup> Because many villages could not collect enough grain or money from peasants in the late 1990s, many five-guarantee households were simply left on their own. Some villages and townships inflated the number of five-guarantee households. For example, in Shuangdu Village, Cangyuan Town, “Since 1998 the town and the village have been inflating the number of five-guarantee households so that they can collect more money from peasants. Actually five-guarantee households are not taken care of, yet (we peasants) do not know where the money went.”<sup>49</sup> Overall in the late 1990s, many townships and villages failed to take care of their five-guarantee households, sometimes in spite of the money that villages and townships collected from peasants, and sometimes because of the difficulties of collecting grain or money from peasants since 1998.

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<sup>48</sup> Interviews with Dongxingyuan Town cadres, Yuanxiang County, October 2002.

<sup>49</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

### ***Irrigation Project Grain (shuili liang)***

Townships also collected the irrigation project grain (*shui li liang*) or fee (*shuili fei*) from peasants. This was money collected to build small irrigation projects, such as ditches, ponds, and small dams. Townships were supposed to return a portion of the irrigation grain to villages. However, they almost never did that. Though townships collected the money, they rarely constructed any irrigation projects. When they did, the money was not enough to cover the costs. For example, Dongxingyuan Town, Yuanxiang County collected 10 kg of the irrigation project grain per *mu* from 1988 to 1998 to strengthen ponds and ditches with either cement or bricks. However, “every year as long as the town constructs any irrigation project, it has to borrow money.”<sup>50</sup> So, it was not surprising that small irrigation projects in rural Hunan deteriorated rapidly. One peasant complained in 2004, “Now the number one problem in the countryside is irrigation. Everywhere you go, ponds and small dams are half-filled with sand.”<sup>51</sup>

Village cadres collected the aforementioned “5 unifications,” the five-guarantee household grain or fee, and the irrigation grain or fee from peasants on behalf of townships, which were supposed to return a portion of the fees to villages. Since the mid-1990s, however, townships hardly returned any money to villages, because they were extremely poor and heavily indebted and the fees were barely enough to cover a township’s expenses. For example, ever since 1990, when out of the seven yuan of the education surcharge, it returned three to villages,<sup>52</sup> Liugongwan Township never

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<sup>50</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, October 2002.

<sup>51</sup> Interviews with peasants and village cadres in Zhutian Village, Dongxingyuan Town, Yuanxiang County, summer 2004. In that year, due to agricultural subsidies and the lowered agricultural tax rate, peasant burdens were lowered for the first time in more than a decade, which was why irrigation, rather than peasant burdens topped the list of peasant worries.

<sup>52</sup> “A Report to the First Meeting of the 7<sup>th</sup> Committee of the People’s Representatives of Liugongwan Township on the Application of the 1989 Budget and the 1990 Budget Arrangement” made by a fiscal cadre of the township at the end of 1989.

returned a penny of the five unified fees or any other fees to its villages.<sup>53</sup> This indicated that township public finance was much healthier in the early 1990s than since the mid 1990s.<sup>54</sup> Villages, therefore, had to collect their own money when they needed to build or maintain roads, schools, or small irrigation projects. To peasants, it was unreasonable that they turned in these fees but received none, as can be seen from the following comments:

Peasants think that only the five-guarantee household fee and the military allowance fee are reasonable expenses. As far as the township and village road maintenance fee is concerned, though it is reasonable to collect it, it has some unreasonable aspects. Suppose the town collects 8 yuan of the fee. It never returns a penny to our village.<sup>55</sup>

Our team spent 10,000 yuan to strengthen the pond (*xiu tang*), but we did not receive a single penny from the town (*gong jia*). Every year we paid several yuan per *mu* of the irrigation project fee. Still, we have never benefited from it.<sup>56</sup>

### ***Two Labors (liang gong)***

Peasants also had to contribute two types of free labor services to townships and villages, including compulsory labor (*yiwu gong*) and accumulative labor (*jilei gong*). The services were called “the two labors” (*liang gong*). Peasants were obligated to contribute unpaid labor to plant trees, build roads, renovate schools, and fight against flooding, such as patrolling levees during a flood-fighting season. The accumulative labor required peasants to work for free to construct basic farmland projects (*nongtian jiben jianshe*), such as strengthening levees (*xiu di*) and building

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<sup>53</sup> Interviews with a vice director in charge of finance and commerce of Liugongwan Township, spring 2002.

<sup>54</sup> See the section entitled “The Extent of the Crisis” in chapter 1 on the fiscal crisis of townships.

<sup>55</sup> Interview with an old peasant in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>56</sup> Interviews with a group of peasants in Xujiaba Village, Changtang Town, Oct. 2002.

small irrigation projects (*xiu shuili*).<sup>57</sup> Accumulative labor also had other names, such as “fall fixing” (*qiu xiu*), “winter fixing” (*dong xiu*), “spring fixing” (*chun xiu*), “external fixing” (*wai xiu*), and “internal fixing” (*nei xiu*). Fall, winter, and spring fixing referred to the time of the year when the labor service was carried out. In lake areas in northern Hunan where farmland was protected by numerous levees that had to be strengthened or fixed each year, accumulative labor, no matter whether it was carried out in fall, winter, or spring, was always spent on fixing levees. In hilly and mountainous areas where there were no levees, accumulative labor was spent on building small irrigation projects. External and internal fixing referred to the type of irrigation projects that peasants worked on. Strengthening levees was called external fixing, whereas fixing ditches, ponds, and small dams was called internal fixing. The distinction was made because levees formed the external boundary of peasant farmland, whereas ponds, ditches, water pipes, culverts (*gouguan qudao*) lay within the farmland protected by levees.

Compulsory labor required peasants to provide 5-10 days and accumulative labor required peasants to contribute 10-20 days of free labor service to the local government.<sup>58</sup> In lake areas, however, where levees had to be strengthened annually and the flood-fighting season lasted a few months each year, peasants had to spend months patrolling levees (compulsory labor) during the flood-fighting season and as many as 2 months a year fixing levees (accumulative labor) in fall and winter. In hilly

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<sup>57</sup> Interviews in villages and townships in Huaizhou, Sishui, Jianglu, Zizhou, and Yuanxiang, 2001-2003. See also “Nongmin chengdan feiyong he laowu guanli tiaolie” [The administrative rules on fees and labor services shouldered by peasants] issued by the State Council on Dec. 7, 1991 in *Jianqing nongmin fudan zhengce fagui xuanbian* [A compilation of policies and laws on lowering peasant burdens] (Beijing: Zhongguo fazhi chubanshe, 1999), 14-21.

<sup>58</sup> Ibid.

and mountainous areas the number was significantly lower, as there were no levees to strengthen or floods to fight.

“Two labors” was a major reason why peasant burdens in lake areas area were two or three times as heavy as those in hilly and mountainous areas. Peasants in lake areas not only had to spend months fixing levees and fighting against flooding for free but also had to pay much higher wages to village cadres, who also had to spend months organizing peasants to fight against flooding and to strengthen levees. As mentioned above, the wage level of village cadres in lake areas was about twice as much as that of those in hilly areas and about three times of those in mountainous areas.

Though forbidden by the central government, local governments very often converted labor services into cash demands in the 1990s, known as replacing labor with cash (*yizi dailao*). Every day of labor service that peasants owed to the local governments was charged at the market price of eight hours of work, which ranged between 8-10 yuan or between 12-15 yuan in northern and central Hunan in the late 1990s and the early 2000s.<sup>59</sup> Because peasants in lake areas had to contribute a large number of two labors, replacing labor with cash could easily be turned into dozens of yuan of burden for each peasant (tables A.14-15). Townships usually justified the practice of converting labor services to cash demands on several grounds. First, many peasants had migrated to cities and it was impossible to organize them to strengthen levees or work on irrigation projects. Second, some peasants were willing to purchase the two labors because they could make more by working in cities. Third, peasants could no longer use their labor to fulfill the accumulative labor requirement, such as strengthening levees because levees at the time had to be strengthened by professional

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<sup>59</sup> Interview with the director of the Economic Management Bureau in Fenglin District of Huaizhou City, June 2003.

construction teams, rather than by the peasants carrying dirt (*tiao tu*) on their shoulder poles.

### ***Grafted Fees (dache shoufei)***

In addition to the agricultural tax, the procurement grain, the pig slaughtering tax, the special agricultural product tax, the five unifications, the five-guarantee households grain and money, the irrigation grain, and the two labors, townships also collected fees on behalf of their self-funded or partially-funded agencies, such as the water management station, reservoirs, the agricultural technology station, the animal immunization station, and the forestry station. This practice was called “*dache shoufei*” or “grafting other fees with the agricultural tax and township fees.” The largest grafted fee consisted of various types of the common production fees, including the levee and land fee (*yuan mu fei*), the drainage and irrigation electricity fee (*paizi paiguan dianfei*), and the water fee.<sup>60</sup> In lake areas, townships collected the first two types of the common production fees on behalf of their water management stations. Many townships in all topographies also collected water fees on behalf of reservoirs. Other grafted fees included the agricultural technology fee and the animal immunization fee, which townships collected in some years on behalf of the agricultural technology station and the animal immunization station. In mountainous areas, townships collected several forestry fees on behalf of their forestry stations.

Unlike the unified township fees, the five-guarantee household fee and grain, and the irrigation project grain which townships could keep and the special agricultural product tax and the pig slaughtering tax which townships could share with counties, these grafted fees were not the income of townships, which literally meant

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<sup>60</sup> See “Common Production Fee” in this chapter for details.

that these fees could not be deposited into the account of the township's fiscal office (*caizheng suo*). Townships were supposed to turn over these fees to their agencies. Because townships were deep in debt, however, they often failed to do that. Thus, many townships in Hunan owed large amounts of common production fees to their water management stations and reservoirs.<sup>61</sup>

### ***Other Fees and Funds***

All the aforementioned taxes and fees were what were collected from peasants in Hunan in a normal year, which was when counties, townships, or villages did not have to build any big public projects or face natural disasters, such as a severe flood. When the local government decided to build a new school, a new road, or even a power plant, peasants were charged the school construction fee, the road construction levy, and the power plant construction fee. When an area in a county was flooded, peasants elsewhere in the county were levied the disaster relief fee or grain. In some areas, such as Cangyuan Town, Yuanxiang County, once peasants were charged the disaster relief grain, they were asked to pay for this fee every year.<sup>62</sup> These randomly charged funds, when embezzled, often led to peasant protest and riots. In Changtang Town and Cangyuan Town, Yuanxiang County where peasants protested and rioted, the county had been charging each peasant about 20 kg of grain for several years in a row in the 1990s in the name of building a power plant. The money, several million yuan in all, was not spent on the power plant, though.<sup>63</sup> In Qizong Township, Qinggang County in 1996, the county decided to collect 40 yuan from each male

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<sup>61</sup> For evidence, see "Step Three: Grain Flow and Clearing Accounts" in chapter 4.

<sup>62</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

<sup>63</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County and interviews with peasants and a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002. See chapter 5 for more details on the protests.

peasant under 65 and female peasant under 60 for three years in a row to build a new road. In addition, the township charged each peasant about 10 yuan each year for several years to build a new middle school. These fees contributed to the emergence of the second round of a militant peasant protest in the township.<sup>64</sup> In Renshou County, Sichuan province, the county decided in 1992 to collect 15 yuan from each peasant each year for two years to build a road, which kindled the first peasant protest against heavy burdens in the 1990s that was widely reported by the media (Pan 2003, 107-114).<sup>65</sup>

### *Fines*

On top of taxes, fees, and funds, local cadres also fined peasants randomly in the 1990s. These burdens contributed to resentment and alienation that peasants felt toward the local government, as can be seen by the following comments:

Peasant burdens are very heavy, because the government demands this and that kind of taxes, fees, and fines. Whenever peasants do not follow rules stipulated by the above (*shang mian*), they will be fined. Whether they are fined heavily or lightly all depends (on the cadre) (*zhong you zhong fa, qing you qing fa*)... For example, it is forbidden to log in a forest. [If a peasant did that], a cadre would enter his house, open his mouth as he wishes, and fine a peasant as much as he likes. If a peasant is cunning and has good connections, then he would not pay a penny. If, however, he is honest and dumb (*lao shi*), hearing that a cadre has come to his house, he would pay whatever that is demanded by the cadre. He would borrow or try all other means to collect the money and pay the fine. Some cannot find the money. They may become so desperate that they even commit suicide. (A village cadre in Yuanxiang County, 2002)<sup>66</sup>

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<sup>64</sup> Interviews with peasants in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004. See chapter 6 for more details on the protest.

<sup>65</sup> According to Pan (2003: 110), peasants in several rural districts of Renshou County protested when these districts decided to levy on peasants a 55 yuan new road construction fee payable in one year rather than a 60 yuan fee payable in two years. They also forced peasants to pay in cash, rather than with labor. The Renshou protest took place in early 1993.

<sup>66</sup> Interviews with village cadres in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

A cadre can fine a peasant at any moment and without any reason. Nowadays, a cadre walks outside and he has the right to fine peasants at his will. He issues no receipts. Who knows whether or not he has turned in the fine (to the government)? (A retired town cadre in Yuanxiang County, 2002)<sup>67</sup>

In terms of family planning, [township cadres] do not do any thought work. As long as a peasant pays the fine, (s)he can give birth to as many children as (s)he wants. They only want money. They do not care about how many children you raise or where you raise them... Another example is building houses. No matter how poor a peasant is, (s)he has to pay a fine before (s)he can build a house. If (s)he does not pay and builds a house, the house will be torn down. There are countless other examples (*jiang bu qing*). (A peasant in Qinggang County, 2004)<sup>68</sup>

To summarize, peasants need to pay the agricultural tax, the special agricultural product tax, the pig slaughtering tax, three village fees, five unified township fees, the five-guarantee households grain and fee, the irrigation project grain, various common production fees, several kinds of education fees and funds,<sup>69</sup> fees collected on behalf of township agencies, such as the agricultural technology station, the animal immunization station, and forestry station. They also needed to provide two types of labor services for free. In addition, they needed to pay funds for public projects, such as building new roads and new schools and to pay a disaster relief fee. Before 1998, they needed to sell the procurement grain to the state. In the years when peasant burdens were the heaviest (1995-1998), the list of taxes and fees could include almost twenty items in hilly areas and more than thirty in lake areas. Finally, peasants were also fined randomly. Table 3.4 summarizes types of taxes, fees, and fines that counties, townships, and villages levied on peasants from the early 1990s to 2001.

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<sup>67</sup> Interviews with peasants and a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>68</sup> Interviews with peasants and peasant protest leaders in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004.

<sup>69</sup> See the sections on education fees in this chapter for details.

## **Common Production Fee (*gongtong xing shengchan fei*)**

### ***Overview***

Among all taxes and fees that peasants had to turn in to local governments since the 1990s, the common production fee was the most complicated and the hardest to understand. It also had the largest variations across different topographies in Hunan. Lake areas had extremely high common production fees, whereas hilly and mountainous areas had much lighter ones. In lake areas, peasants not only had to pay money to drain land, strengthen levees, and fight against flooding, but they also had to contribute several months of unpaid labor to build the levees and fight the floods. As a result, in these areas, the common production fees ranked only second to education charges and tuition in terms of the heaviness of the burden. Due to the variation of the common production fees across different areas, peasant burdens in lake areas in Hunan were the heaviest, whereas those in hilly and mountainous areas were much lighter.

Before the rural tax-for-fee reform in 2002 which lowered peasant burdens, the burden level in lake areas often exceeded 300 yuan per person, whereas that in hilly and mountainous areas was usually near or above 100 yuan per person, though it rarely exceeded 200 yuan per person. Although peasants everywhere in Hunan abandoned large chunks of farmland since the 1990s, those in lake areas did so on a much larger scale than those in hilly and mountainous areas because of the high common production fees. Tens of thousands of *mu* of farmland in a lake county could be abandoned. One peasant family could end up farming hundreds *mu* of land as their fellow villagers abandoned their land and sought a living as day laborers in cities. The average landholding size in Hunan, a densely populated grain-producing province, is barely one *mu* per person.<sup>70</sup>

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<sup>70</sup> Huaizhou City which governs 6 counties had 3,699,200 peasants and 3.46 million *mu* of farmland in 2002. The average landholding size was 0.94 *mu* (interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, Oct. 2002). In 2001, the average landholding size of Liugongwan Township, Huaiyang District, Huaizhou City was only 0.79 *mu* in 2001 (interviews

**Table 3.4: Types of Peasant Burdens**

Levels of Government	Types of Taxes and Fees
Counties	Agricultural tax Procurement grain Pig slaughtering tax Special agricultural product tax
Townships	Five unified township fees: education surcharge, family planning fee, militia training fee, military allowance fee, rural road maintenance fee  Five-guarantee household grain and money  Irrigation grain or money  Two Labors: compulsory labor and accumulation labor  Common Production Fees (a type of grafted fee), including land and levee fee, drainage and irrigation electricity fee, water fee, flood-fighting fee, winter irrigation construction grain or fee  Other grafted fees, such as agricultural technology fee, forestry fee, animal immunization fee.  Funds raised ( <i>ji zi</i> ) from peasants to provide public goods: core levee fund, education fund, new road construction fund, new school construction fund, dilapidated-school renovation fee, etc.  Random fines
Villages	Public Accumulation Fund Public Welfare Fund Administrative Fee

The common production fee was also the only fee that was not abolished after the rural tax-for-fee reform in 2002. When even the agricultural tax itself was completely abolished nationwide in 2006, peasants still needed to pay the common

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with cadres in Liugongwan Township, 2001-2002). The average landholding size of Dongxingyuan Town, Yuanxiang County in 2002 was 0.98 *mu* (interviews with cadres in Dongxingyuan Town, Oct. 2002).

production fee, which has remained high in lake areas up until the present. While many peasants in hilly and mountainous areas have reclaimed their land after the rural tax-for-fee reform, as agricultural subsidies and abolished agricultural taxes and fees have made farming a worthwhile activity once again, much land in lake areas remains fallow due to high common production fees.

The common production fee was an umbrella concept that covered numerous different fees in different areas, with bewildering regional variations. It could vary from peasant family to family, from team to team, and from village to village, not to mention from township to township, and from county to county. In spite of all the variations, every fee was related to water management, including draining and irrigating farmland, building and strengthening levees, fighting against flooding, and constructing irrigation projects, such as building dams, ditches, water conduits, and culverts. Common production fees were considered agricultural inputs that peasants needed to pay, like chemical fertilizers and pesticides. Although the fees were usually collected by townships, they were not township income because the townships needed to turn over the fees to water management agencies. The only exception was the core levee fund (*dadi jizi*), which was both collected and used by township governments.

Since the 1990s, peasants in Hunan had to turn in a series of common production fees, including levee and land fees, a core levee fund, drainage and irrigation electricity fees, water fees, and flood-fighting fees. In addition, they had to contribute two types of free labor services each year to construct irrigation projects, to fight against flooding, and to strengthen levees. The common production fees were prone to exorbitant, multiple, and random collections. To understand the origins of these fees and why they were so heavy, we need to understand not only the irrigation responsibilities shouldered by local governments, but also why the local water bureaucracy had expanded and how it was funded.

### *The Water Management System in Rural China*

The elaborate water management system in rural China consists of three major components: first, levees that protect peasant land from being flooded. These levees have to be built and strengthened every year; second, electric pumps that pump in water from rivers and lakes to farmland in drought and pump out water from farmland to rivers and lakes when flooded; third, irrigation projects within an area protected by a levee, such as reservoirs, ponds, ditches, water conduits, and culverts that store water and transport it from one place to another.<sup>71</sup>

This water management system is maintained by a very large local water bureaucracy, which consists of a county irrigation bureau and its local water management agencies. There are three major types of local water management agencies. They include irrigation and drainage stations (*pai guan zhan*), water management stations (*shuiguan zhan*) in lake and hilly areas, or fixing and fending-off associations (*xiufang hui*) in mountainous areas, and reservoirs. A county usually has several large irrigation and drainage stations with powerful electric pumps that irrigate and drain farmland in more than one township. These stations are supervised by a county irrigation bureau and do not belong to any one township. Usually every township has a water management agency, called the water management station in lake and hilly areas and the fixing and fending-off association in mountainous areas. A water management station is in charge of several electric pumps that drain and irrigate land for an entire township. Depending on the size of a reservoir, each one is under the supervision of different layers of governments. Large reservoirs that irrigate land in more than one county are under the supervision of a province. Similarly, medium-

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<sup>71</sup> The Chinese phrase for these projects were “*yuannei shuigong*.” Interviews with cadres in the Economic Management Bureau of Sishui in Huaizhou City, January 2002.

sized and small reservoirs are under the supervision of either a county or a township. Some villages even have their own reservoirs.

Two characteristics distinguish the local water bureaucracy from all other agencies in a township. First, all local water management agencies are completely self-funded, relying on the common production fees collected from peasants whose land benefits from the water service. Second, local water agencies are huge. While many stations and offices in a township are also self-funded, no other agency is as large as a water management station or a reservoir, each of which employs dozens of people (table 2.5). In comparison, the family planning office, another large township agency that is mostly self-funded, usually only hires around ten or a few more people.

Maintaining the local water management system, including funding the large local water bureaucracy, is very costly, particularly for a lake county where it costs tens of millions of yuan to keep the system running.<sup>72</sup> Local governments had to shoulder most of the cost, particularly before the big flood along the Long River in 1998. Before that flood, the central government invested little in the local water management system. Since then, it has spent a large sum of money strengthening important levees along the Long River and Lake Dongting, the second largest lake in China located in northern Hunan and southern Hubei. Levees, however, as mentioned above, are only one important component of the rural water management system. The other two components, including electric pumps that irrigate and drain farmland and irrigation projects within an area protected by levees, are funded by local governments. Furthermore, local governments still had to invest a significant amount of money every year in strengthening levees for two reasons, in spite of the investment

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<sup>72</sup> Interviews with cadres in irrigation bureaus and the economic management bureaus of Huaiyang District of Huaizhou City, Fenglin District of Huaizhou City, and Sishui City, 2002-2003, summer 2004 and January 2005.

from the central government. First, the money from the central government to strengthen large levees was drawing to an end in 2005. Second, the levee money from the central government was never enough to cover the entire cost of corroborating levees. Local governments always had to match these central funds with expenditures of their own.<sup>73</sup>

Local governments in Hunan, however, could not spare a single penny on the local water management system because they had to struggle to pay their civil servants and teachers. The irrigation bureau was the only one in a county that did not receive any budget appropriation to build basic infrastructure.<sup>74</sup> As mentioned in chapter 1, to deal with the severe mismatch between their fiscal capacity and fiscal responsibilities, counties in Hunan sign “a fiscal contract” (*caizheng baogan*) or a “budget contract” (*yusuan baogan*) with its bureaus, appropriating each bureau a fixed amount of funding, which is way below what a bureau actually needs in order to function. Under this system, a county’s irrigation bureau only receives several hundreds of thousands of yuan a year, which is not even enough to pay basic salaries to cadres employed by the bureau. For example, in 2004, the Irrigation Bureau of Huaiyang District, Huaizhou City employed more than 60 cadres and had more than 80 retired cadres. The county only appropriated the bureau less than 400,000 yuan,<sup>75</sup> So, irrigation

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<sup>73</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003. Interviews with cadres in the Irrigation Bureau of Fenglin District, Huaizhou City (summer 2004) and with cadres in the Irrigation Bureau of Huaiyang District, Huaizhou City (Jan. 2005). Interviews with local water management cadres in townships in Huaizhou, 2002-2003 and summer 2004.

<sup>74</sup> Interviews with cadres in the Irrigation Bureau of Fenglin District, summer 2004 and with cadres in the Irrigation Bureau of Huaiyang District, Jan. 2005.

<sup>75</sup> Interviews with cadres of the Irrigation Bureau of Huaiyang District, Huaizhou City, Jan. 2005.

bureaus in counties survive through winning bids for irrigation projects funded by higher levels of government.<sup>76</sup>

### ***Why Was the Local Water Bureaucracy So Large?***

Counties in Hunan thus cannot afford to appropriate any money to the large local water bureaucracy employed by irrigation and drainage stations, water management stations, fixing and fending-off associations, and reservoirs. All are completely self-funded (*zichou zizhi*). They are also severely overstaffed. Each agency hires dozens of people, and the number of local water cadres in a county exceeds more than 1,000 people. Most of the local water management costs, including feeding the large local water bureaucracy, has been financed through collecting common production fees from peasants. Reservoirs cadres survive by charging water fees from peasants. Water management stations collect two fees from peasants, including the levee and land fee (*yuanmu fei*) and the drainage and irrigation electricity fee. Irrigation and drainage stations also collect drainage and irrigation electricity fees.

The local water bureaucracy expanded rapidly in the 1990s, some by as much as ten times. For example, the number of cadres employed by the water management station of Baigang Town of Fenglin District increased from 6 in 1995 to 68 in 2003.<sup>77</sup> The reservoir in Wangyuting Town, Huaiyang originally only hired six people. It hired 74 people as of 2004.<sup>78</sup> While this simply reflected the general bureaucratic expansion

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<sup>76</sup> Interviews with cadres of the Irrigation Bureau of Huaiyang District and Fenglin District, Huaizhou City, summer 2004 and Jan. 2005.

<sup>77</sup> *Huaizhou shi Fenglin qu shuili xitong duiwu jianshe qingkuang diaoyan baogao* [A fieldwork report on the situation of cadres and staff of the water management system of Fenglin District, Huaizhou City] written by the Irrigation Bureau of the district in 2003.

<sup>78</sup> Interviews with cadres in the reservoirs, summer 2004.

in the age of reform, there were three reasons that the water bureaucracy expanded the most among all township agencies.

First, managing water requires more labor than any other service that a township provides. Most of the labor is provided by peasants. For example, fixing levees, fighting against flooding, and constructing large irrigation projects each involves a massive number of peasants. However, cadres are also needed to organize peasants and deal with water emergencies.

Second, in the 1990s local water agencies faced pressure to hire people from four sides, including counties, townships, villages, and the agencies themselves. Counties made water agencies hire demobilized soldiers. Townships wanted these agencies to hire those connected with township cadres. Their own children needed a job in the water management system. Finally, village party secretaries, when transforming themselves from a peasant into a state cadre (*guojia ganbu*), were usually assigned a position in either reservoirs or water management stations. Many reservoirs in Hunan were nicknamed “the secretariat” (*shuji chu*), “the demobilization office” (*junzhuan ban*), and “the employment office” (*jiuye ban*).<sup>79</sup>

Third, to ensure that township cadres made enough efforts to collect the common production fees on behalf of water agencies, some counties allowed township governments rather than irrigation bureaus to supervise these water agencies. This arrangement made the water management station a horizontal organization (*kuai kuai*) rather than a vertical one (*tiao tiao*). With townships controlling money, personnel, and internal management of these water agencies, these agencies quickly hired a lot of people connected to township cadres. A term of a township party secretary only lasted

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<sup>79</sup> These terms and the analysis come from *Huaizhou shi Fenglin qu shuili xitong duiwu jianshe qingkuang diaoyan baogao* [A fieldwork report on the situation of cadres and staff of the water management system of Fenglin District, Huaizhou City], a 16-page report written by the Irrigation Bureau of the Fenglin District in 2003 (interviews with cadres in the bureau, summer 2004).

three years in the 1990s and each new township party secretary appointed many cadres to a water management station.<sup>80</sup>

### ***Financing the Water Management System in Rural China***

To maintain the costly local water management system and to feed the large local water bureaucracy, local governments collected an exorbitant amount of common production fees from peasants, particularly those in lake areas. The following example discusses the distribution of irrigation fiscal responsibilities among the central government, local governments, and peasants in a lake county. It demonstrates that paying high common production fees was a major reason why peasant burdens were so heavy in the 1990s and beyond:

In 2004, the Irrigation Bureau of Fenglin District of Huaizhou City employed 58 cadres. It also had 102 retired cadres. The county only appropriated 260,000 yuan to the bureau, whereas the bureau needed at least 2 to 3 million yuan a year to function. The county did not appropriate a single penny on constructing irrigation projects. In a normal year that did not involve dealing with emergencies, such as a broken levee, the county needed at least 50 million yuan to maintain the water management system, including about 10 million yuan to pay salaries to around 1,400 local water cadres employed by the county's irrigation and drainage stations, water management stations, and reservoirs. Any emergency, such as fixing a broken levee, would increase the cost even more. The Irrigation Bureau received 7 million yuan from the "Second Stage of Fixing Lake Dongting" program and 3 million yuan of "work-for-poverty relief" grant, both funded by the central government. It also received around 2 to 3 million yuan of flood-fighting funds from the district, which was financed through collecting the flood-fighting fee from all civil servants in the county.<sup>81</sup>

Peasants in this district, therefore, had to pay around 40 million yuan per year in water management fees, which was larger than the amount of the agricultural tax

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<sup>80</sup> Interviews with county and township water management cadres in Huaizhou, Sishui, and Yuanxiang, 2001-2003, summer 2004 and Jan. 2005.

<sup>81</sup> Interviews with cadres in the Irrigation Bureau of Fenglin District, Huaizhou City, summer 2004.

even after the rate was raised to 7% during the rural tax-for-fee reform.<sup>82</sup> It was also larger than the rural tax-for-fee reform transfer to the district in 2002, which was 30.86 million yuan.<sup>83</sup>

*Levee fees (yuan fei).* Farmland near Dongting Lake in northern Hunan is protected by a labyrinth of levees. Core levees (*gan di*) or major levees (*da di*) have been built along banks of the Long River, Lake Dongting, and the four major rivers in Hunan. Smaller levees are built around small rivers and lakes. Each of these levees has a long history, as peasants have been building levees ever since they started farming. A large area of farmland protected from rivers and lakes by levees is called a “*yuan zi*,” a phrase that is only used in Hunan and Hubei province. A large levee can protect farmland for more than one million peasants in several counties. A small levee sometimes can only protect a little more than 10,000 peasants.<sup>84</sup> To prevent these levees from cracking or collapsing under the pressure of water, local governments need to strengthen these levees every year. In Hunan, this is called “fixing levees” (*xiu dati*). The need to fix levees in lake areas each year, combined with draining land and flood fighting, has made peasant burdens in lake areas extraordinarily high.

As mentioned above, peasants have to shoulder much of the burden of fixing levees. Every year in the 1990s and beyond, a county divided the task of fixing levees among all townships protected by a levee and assigned each of them a certain number of cubic meters of dirt (*tufang gongcheng*), another quota that a township had to

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<sup>82</sup> The agricultural tax in Fenglin District increased from around 13 million yuan to 26 million yuan in 2002 as a result of the rural tax-for-fee reform. Interviews with the director of the Office of the Finance Bureau of Fenglin District, Huaizhou City and with cadres in the Office of Agricultural Taxes of the same bureau, May 2003.

<sup>83</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>84</sup> Interviews with cadres in the Irrigation Bureau of Fenglin District, Huaizhou City, summer 2004.

fulfill. Townships in turn divided the dirt cubic meter quota among peasants. There was nothing new about townships being assigned a quota of dirt cubic meters to fix levees. What was new, however, was how peasants were charged with the levee fee. During the collectivist era and in the early 1980s, peasants fixed levees through carrying dirt (*tiao tu*) on their shoulder poles to levees. They were not charged any cash or grain. Since the 1990s, however, peasants were subject to multiple collections of levee fees in all three forms: cash, grain, and labor. Townships not only required peasants to provide free labor service to fix levees, sometimes for months in a row, but also charged each peasant cash or grain to fix levees.

Each peasant in lake areas had to pay two types of levee fees, including the “core levee fund” (*dadi jizi*) and the “land and levee fee” (*yuan mu fei*) or “levee protection fee” (*diyuan baohu fei*). The first was paid to a township government and the second was paid to a water management station, which was the water agency in a township in charge of maintaining levees, draining and irrigating peasant land, constructing irrigation projects, and fighting against flooding. Peasants and cadres shortened the land and levee fee to simply the “levee fee” (*yuan fei*). To distinguish this fee from the core levee fund discussed in the following paragraph, the land and levee fee will hereafter be called the regular levee fee. Lake townships collected this fee, which rarely exceeded 10 yuan per *mu*, on behalf of their water management stations so that the latter could carry out regular and minor maintenance of levees in townships.

Township governments themselves, rather than their water management stations, had to corroborate levees (*xiu di*) each year, which differed from the minor and regular maintenance provided by water management stations, as corroborating levees required either a massive number of peasants or a large sum of money or both. To fix levees and to fulfill the dirt cubic meters assigned to them by counties,

townships either charged the “core levee fund” on peasants, or distributed the cubic meters of dirt among them, which peasants had to fulfill through carrying the dirt to levees on their shoulder poles, or demanded both money and labor from peasants.

As mentioned in the section on “two labors” in this chapter, peasants in lake areas were obligated to contribute free labor to strengthen levees in fall and winter, sometimes for as long as two months. Those who could not work had to pay money to purchase these labor days from townships. In many places, townships forced all peasants to use cash to fulfill the accumulative labor service they owed to the local government. For example, in Sishui City, a lake county in Huaizhou Prefecture, each peasant had to pay dozens of yuan each year to strengthen the levees. In Meishan Urban Street Office, in 2001, each peasant was assigned three cubic meters of dirt, which was converted to 35 yuan.<sup>85</sup> On top of the labor services that were often converted to cash, to strengthen the levees, lake townships often collected the core levee fund from peasants. For example, in Liugongwan Township in 2001, each peasant had to pay ten yuan of the core levee fund to strengthen the core levee along the Zi River, even though they had already paid the accumulative labor, the compulsory labor, and the regular levee fees.<sup>86</sup>

Strengthening the levees thus imposed a heavy burden on peasants in lake areas. The levee fees were particularly heavy in lake counties that lay extremely low or had numerous levees. For example, in Yongbozhou Village, Qianjiaping Township, Huaiyang District, each peasant still had to pay a total of 66.96 yuan or 30.95 yuan per *mu* of levee fees in 2004, even after the rural tax-for-fee reform significantly lowered

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<sup>85</sup> Interviews with peasants in Wanyue Village, Meishan Urban Street Office of Sishui City, Jan. 2002. An urban street office is equivalent to a township.

<sup>86</sup> Interviews with peasants in Fengyugang Village, Liugongwan Township, Huaiyang District, Dec. 2001.

the common production fees (tables A. 9-10). The 1,504 peasants in the village paid a total of 100,717.5 yuan of the river bank fees (table A.9 ), including 29,340 yuan of the regular levee fee paid to the water management station and 71,377.5 yuan of the core levee fund paid to the township government (table A.10). The levee fees were almost the same as the agricultural tax and its surcharge that year, which was 31.2 yuan per *mu* (table A.10).

***Drainage and irrigation electricity fee (paizi paiguan dianfei).*** Peasants also have to pay a drainage and irrigation electricity fee, which can be as high as over 100 yuan per *mu* in lake areas. To irrigate land in droughts and to drain land when it is soaked with water, electric pumps (*dian pai*), large and small, are installed in rural China. Drainage pumps drain water out of land into rivers and lakes when it rains. This is called “unified drainage” (*tong pai*). Irrigation pumps pump in water from rivers and lakes into farmland in drought, which is called “unified irrigation” (*tong guan*).

There are several layers of these electric pumps in the countryside. At the county level, large electric pumps drain and irrigate land in several townships. These large electric pumps are maintained by specific drainage and irrigation stations, an agency of a county’s Irrigation Bureau. Dajiangkou Irrigation Station of Fenglin District, for example, an agency of the Irrigation Bureau, irrigates land in a few townships with four powerful (800 kw) irrigation pumps.<sup>87</sup> At the township level, every township in a lake area also has several electric pumps managed by its water management station. Liugongwan Township, for example, has 4 drainage pumps and 6

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<sup>87</sup> Fieldtrips to core levees and local water management agencies and interviews with cadres in the Irrigation Bureau of Fenglin District, Huaizhou City and local water management agencies in the district, summer 2004.

irrigation pumps.<sup>88</sup> At the village and team level, some villages or even teams have installed their own and smaller electric pumps, called a “small draining and irrigation system” (*xiao paiguan*).

Except for small electric pumps at the village and team level, all electric pumps are built by the state. Local governments, however, are responsible for operating and maintaining them, which include paying salaries for cadres employed by these water management agencies, maintaining these pumps and fixing them when broken, and paying for the electricity needed to operate these pumps. Because local governments are poor and the local water bureaucracy is huge, peasants are made to pay for the cost of running these electric pumps. As mentioned above, all local water agencies in a county in Hunan are self-funded. They survive by collecting the drainage electricity fee (*paizi dianfei*) and irrigation electricity fee (*paiguan dianfei*) from peasants whose land is served by these electric pumps, based on the principle of “whoever benefits pays” (*shei shouyi, shei fudan*). Peasants whose land is protected by multiple layers of electric pumps have to pay for several rounds of the drainage and irrigation electricity fees. Peasants refer to these fees as the “electricity fee” (*dian fei*), a fee that can be extraordinary high for peasants in lake areas, where land is constantly soaked in water and where electric pumps have to be run constantly.

***Variations of the drainage electricity fee.*** While the regular levee fee charged by a water management station rarely exceeded ten yuan a peasant in the late 1990s, the drainage electricity fee could vary from a few yuan a *mu* in hilly areas to more than 100 yuan per *mu* in low-lying lake areas. Land in lake areas needs to be drained all the time. For example in *Tuanjie yuan* in Huaiyang District, there are more than

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<sup>88</sup> Interviews with the director of the Water Management Station of Liugongwan Township and the vice director in charge of finance and commerce of the same township of Huaiyang District, Huaizhou City, summer 2004.

1,200 mm of water in a drought year and more than 1,400 mm of water in a rainy year. In a flood year, the water level reaches around 2,000 mm. All these water has to be pumped out. Running an electric pump of 150 kw for an hour cost about 130 yuan an hour, which includes the electricity fee, the management fee, and the maintenance fee. Because neither the state, nor the province, nor the city, nor the county is paying for these costs, peasants in this *yuan zi* have to pay around 50 yuan per *mu* to drain their land.<sup>89</sup>

Within lake areas, the drainage electricity bill is the heaviest among those townships in which the land lies very low and one township alone forms an independent *yuan zi* (*duxiang duyuan*). In these places, water has to be drained almost every day and the drainage electricity fee can easily reach more than 100 yuan per *mu* a year.<sup>90</sup> Thus in Huaizhou Prefecture, the heaviest drainage fee happens not in the aforementioned *Tuanjie yuan* of Huaiyang District, but rather in Huxian and Sishui, two counties next to Dongting Lake that are made of numerous low-lying *yuan zi*. Twenty percent of the more than 700,000 *mu* of farmland in Sishui lies only 20 meters above sea level.<sup>91</sup>

The lightest fee is the irrigation electricity fee in hilly areas where there is no need to drain land, and the land can be irrigated simply by opening the gates of dams through which water runs automatically (*ziliu guangai*) to farmland through numerous ditches in the countryside.<sup>92</sup> What lies in between is the irrigation electricity fee for

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<sup>89</sup> Interview with the director of the Irrigation Bureau of Huaiyang District of Huaizhou, January 2005.

<sup>90</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>91</sup> Interviews with cadres in the Economic Management Bureau of Sishui City, Jan. 2002 and with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>92</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

mountainous areas where water has to be elevated from rivers and lakes to mountains through several layers of electric pumps.<sup>93</sup> As a rule, in lake areas, most of the drainage and irrigation electricity fee comes from draining water from land, whereas in mountainous areas it mostly comes from irrigating land.

The drainage electricity fee in Yongbozhou Village in 2004 was 52.96 yuan per *mu* (tables A. 9-10), which was almost two times the agricultural tax and its surcharge in the same year. This fee, though high, was still only about half the level in low-lying lake townships, where the fee could be more than 100 yuan per *mu*. Combining the levee fees and the drainage electricity fee, each peasant in Yongbozhou Village still had to pay 83.91 yuan per *mu* or 181.58 yuan per person of the common production fees in 2004 (table A. 10). Peasants in Huxian and Sishui have to pay even higher common production fees.

***Flood-fighting fee (fang xun).*** In addition to high levee fees and the drainage electricity fees, peasants in lake areas also have to fight against flooding through both paying the flood-fighting money or grain and providing the compulsory labor service (*yiwu gong*) during the flood fighting season, which can last four months in a year.<sup>94</sup> Unlike strengthening levees, for which the central government pays a portion of the cost, most of the flood fighting cost is shouldered by local governments. The central government only provides funds for fighting against an extremely large flood (*teda fanghong zijin*).<sup>95</sup>

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<sup>93</sup> Interview with the director of the Economic Management Bureau of Fenglin District, Huaizhou City, June 2003 and interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>94</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June, 2003.

<sup>95</sup> Interview with a cadre in the Office of the Finance Bureau of Fenglin District of Huaizhou, May 2003. Interview with the director of the Rural Tax-for-Fee Reform Office of Huaizhou City, June 2003.

The flood-fighting expense in lake counties in Hunan is financed by two sources. First, counties have either deducted one month of salary or collected dozens of yuan from each civil servant and teacher on their payroll. Second, peasants need to contribute both labor and grain (tables A.1-2 and A.6). For example, in Meishan Urban Street Office of Sishui, each peasant was charged ten yuan of the flood-fighting fee in 2001.<sup>96</sup> During the flood-fighting season, peasants are obliged to patrol levees to make sure that levees are safe, sometimes for months in a row.

Heavy levee fees, high drainage electricity fees, and a long flood-fighting season, combined with heavy taxes and other fees, drove many peasants in lake areas off their land more than anywhere else, as could be seen from the following comparison made by peasants in Yuanxiang, a hilly county in northern Hunan:

Huxian's problem is much more serious than ours. Few peasants there are still tilling the land. Have not they abandoned hundreds of thousands of *mu* of land? (I heard that) the county party secretary himself has to cultivate 30 *mu* and a village party secretary has to cultivate more than 100 *mu*. Peasant burdens over there are very heavy. They have to pay heavy taxes and fees. On top of this, in winter, peasants have to both pay money and contribute labor to fix levees. Every peasant has to spend two months fixing levees. As a result, peasants in Huxian have stopped tilling their land. Instead the entire family, old and young (*dada xixi*), work odd jobs outside (their villages). Nobody stays at home. After all, they can find work in cities occasionally and feed themselves.<sup>97</sup>

**Water fee (*shui fei*).** Peasants everywhere in Hunan need to pay for water, which is different from the irrigation and drainage electricity fee mentioned above. Water comes from ponds and dams owned by one's own village, or from a dam owned by another village, or from a dam that irrigates the land of one specific township, or from a large dam that irrigates the land of several townships or the land of several

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<sup>96</sup> Interviews with peasants in Wanyue Village, Meishan Urban Street Office of Sishui City, Jan. 2002.

<sup>97</sup> Interviews with peasants in Cangyuan Town, Yuanxiang County, October 2002.

counties. Dams charge a water fee, which has been capped at no more than 15 yuan per *mu* since 1990 from peasants whose land is irrigated by the water.<sup>98</sup> Most townships collect the water fee, in the form of either cash or grain, on behalf of the dams. In villages and teams that have their own ponds, peasants hire a water-watcher (*kan shui ren*), a fellow peasant, whose job is to look after the pond to prevent others from stealing water and to make sure that a fellow villager's land is irrigated when (s)he requests it. In these cases, the water fee is paid in the form of wages to this water-watcher.

To summarize, peasants have to pay money and provide free labor service to maintain the rural water management system. They have to pay all kinds of common production fees, including various levee fees, drainage and irrigation electricity fees, flood-fighting fees, and water fees. They also needed to contribute two types of free labor to the local government, which very often were converted to cash demands. The common production fees were particularly heavy in lake areas, due to the need to strengthen levees, to drain farmland, and to fight against flooding.

### ***Conflicts over the Common Production Fees***

The common production fees are most prone to exorbitant, random, and multiple collections, both due to the need to feed a large local water bureaucracy and the need to provide service. To mention a few, for levee fees alone, peasants have to pay the regular levee and land fee to a water management station, the core levee fund to a township, and work for months for free to strengthen the levees. They also need to spend months patrolling levees during the flood-fighting season. The two labor

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<sup>98</sup> *Huaizhou shi Fenglin qu shuili xitong duiwu jianshe qingkuang diaoyan baogao* [A fieldwork report on the situation of cadres and staff of the water management system of Fenglin District, Huaizhou City], a 16-page report written by the Irrigation Bureau of the Fenglin District in 2003 (interviews with cadres in the bureau, summer 2004).

services were often converted to cash obligations. Water management stations very often inflated the drainage electricity fee, charging a peasant dozens of yuan per *mu*, as can be illustrated from the following example:

It rained heavily in the past few days and the water level of rivers rose dramatically. The water management station used between 20,000 to 30,000 yuan to drain water from the farmland. However, we told peasants that we used up 60,000 to 70,000 yuan. [We had to do this] because we have debts.<sup>99</sup>

In some villages, peasants were made to pay for high drainage electricity fees even when their township did not install any electric pumps and thus provided no service.<sup>100</sup> Peasants had to pay for water fees even when their land was not irrigated at all or when their land was only irrigated for a few days. Unreasonable common production fees became a major source of contention between peasants and local cadres, as could be seen from the following example:

In 2001, Huaiyang District collected 10 yuan of the core levee fund from each peasant to strengthen the levee along River Zi, one of the four major rivers in Hunan. Villagers regarded this fee as unreasonable for several reasons.

First, they did not have money and were willing to contribute labor to strengthen the levee. “Ever since the era of *Mao Diadia* (Grandpa Mao),<sup>101</sup> we have been carrying dirt to strengthen levees for decades. But this year we are told that there will be no dirt for us to carry. Instead sand has to be transported from far away. So, we have to contribute cash. Those who do not have cash are told to contribute grain... We have already paid the regular levee and land fee, the drainage electricity fee, compulsory labor, and accumulative labor. Now the government is again asking us to hand in ten more yuan of the core levee fund. It is too greedy.”

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<sup>99</sup> Interviews with a vice director in charge of finance and commerce of Liugongwan Township, Huaiyang District and with the director of the Water Management Station of the township, July 2004.

<sup>100</sup> A peasant from Sishui County petitioned the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City in June 2003. He complained that his township collected more than 60 yuan per *mu* for the drainage electricity bill even though the township did not have any electric pump.

<sup>101</sup> In the local dialect, *Mao diadia* is a respectful way to refer to Mao Zedong.

Second, even if it was necessary for them to turn in another levee fee, peasants thought that three yuan should be sufficient. Because one year when the township government contracted out levee strengthening to an old man, he only spent three yuan per person, rather than ten yuan.

Finally, higher levels of the government had already appropriated money to counties and townships to strengthen levees. Yet, the local government still wanted to collect more money from peasants. “They cheat those above (higher levels of the governments) and oppress those below (peasants) and pocket all these money.”<sup>102</sup>

Huaiyang District, however, did not have enough money to fix its levees. It had to collect the core levee fund from its civil servants, teachers, and peasants. For five years in a row, the district had to deduct one month of salary from each civil servant and teacher of the entire district, half of which was spent on strengthening levees and fighting against flooding. Peasants also had to contribute to the core levee fund. When townships could not collect enough levee fees from peasants, they ended up borrowing hundreds of thousands of yuan to fix levees, as happened in several townships in the district in 1996 and 1998.<sup>103</sup> Badly needing the money, the district decided in 2001 that peasants who refused to pay the 10 yuan of the core levee fund would be treated as harshly as those who dodged their flood-fighting responsibilities and could be punished by being paraded on streets and being publicly humiliated.<sup>104</sup>

## **Education**

### ***Why was Basic Education So Costly for Peasants?***

Among all peasant burdens, high tuition and all kinds of education fees charged on peasants and their school-attending children formed the single most important source of conflict between local government and peasants. It was also a universal complaint among peasants in Hunan. This was not surprising. While peasant burdens were heavy everywhere in Hunan, some types of burdens varied from area to area. For example, peasants in mountainous or hilly areas did not have to contribute

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<sup>102</sup> Interviews with peasants in Fengyugang Village, Liugongwan Township, Huaiyang District, Huaizhou City, December 2001.

<sup>103</sup> See the section entitled “Irrigation” in chapter 2 for more details.

<sup>104</sup> Interviews with peasants and village cadres in Lijiamiao Village, Liugongwan Township, Huaiyang District, November 2001.

money or labor to fight against flooding or to strengthen levees. Neither did they have to pay high drainage electricity fees. Peasants in lake areas, however, had to pay extraordinarily high common production fees. While some counties and townships might build new roads and collect road-construction funds on top of the regular road maintenance fee, others did not. While some townships may collect irrigation project money, others may not. The education burden, however, was high everywhere in Hunan's countryside because it was townships and counties rather than either the provincial or the central government that had to pay the bills for rural basic education in China.

While providing for basic education may not be a problem for some rich counties in coastal provinces, it was a tremendous burden on counties and townships in Hunan. As explained in chapter 1, even though it spent 50% to 80% of its entire budget on education, a county in Hunan could only afford to pay 40% of its education expenses. Tuition and miscellaneous fees (*xue za fei*) covered about another 10%, and the remaining 50% came from the education surcharge and the education fund levied on peasants and rural students.<sup>105</sup>

Therefore, basic education, though made compulsory, became too expensive for peasants. A primary school could cost between 400 to 500 yuan or 500 to 600 yuan a semester before 2002.<sup>106</sup> To put this in perspective, in the late 1990s and the early 2000s, peasants in Hunan could only make a maximum profit of between 200 to 300 yuan a year for cultivating one *mu* of land for two seasons, even if they did not have to pay any taxes or fees. They could make about 100 yuan out of each pig they

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<sup>105</sup> See the section entitled "Fiscal Plight of Counties" in chapter 1 for details.

<sup>106</sup> Interview with the president of the Rural United-School of Liugongwan Township, Huaiyang District, Jan. 2005.

raised each year.<sup>107</sup> Thus, peasants had to struggle to send their children to school. Quite a few children dropped out of school. For example, the dropout rate for middle school students in Xiaofeng township of Zizhou city was 5% to 6% in 2000.<sup>108</sup> Some could not even afford primary school and dropped out of it. In Fengyugang Village, Liugongwan Township, Huaiyang District, the dropout rate was as high as 40%. Most of those were students who were either 12 or 13 years old who finished grade five but could not afford to attend grade six. Both children of the poorest family in the village, the only family that had not built a brick house in the village, a clear sign of poverty in today's Hunan, had dropped out of school and roamed around the village every day.<sup>109</sup> One dropped out of grade six when he was told either to bring another ten yuan to the village school or to bring his own study desk. He dropped out since his family could afford neither after having paid a few hundred yuan a semester already.<sup>110</sup> The following comment summarizes the heavy cost of education for peasants.

Peasants are indeed miserable, if all they do is to till their land. My nephew and his wife cannot even afford the 200 yuan of tuition that is needed to send their only child to school. They till the land and raise pigs. But they cannot find the money to send their only child even to attend the primary school.<sup>111</sup>

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<sup>107</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002. See the section "Why Did Peasants Refuse to Pay" in chapter 4 for details.

<sup>108</sup> Interview with the president of the Rural United-School of Xiaofeng Township, Zizhou County, April 2001.

<sup>109</sup> Only the extremely poor peasants in Hunan still live in mud houses nowadays. Most have built brick houses. Most, however, borrowed money to build their houses and had to spend years paying back the debt, which they usually borrowed from relatives. Interviews in villages in northern and central Hunan, 2001-2003.

<sup>110</sup> Interviews with peasants in Fengyugang Village, Liugongwan Township, Huaiyang District, Huaizhou City, Dec. 2001.

<sup>111</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

The drastic decline of state investment in basic education can be seen clearly from a comparison between the 1990s and the collectivist era. Compared to the era of the People's Communes, the cost of attending a primary or a middle school was more than 200 times higher in the 1990s. Further, in the collectivist era, for every 75 students that it enrolled, a school could retain the tuition of 25 students. The money was then used to waive tuition and miscellaneous fees for poor students and for public expenses of the school.<sup>112</sup> Since the 1990s, however, each school could only retain either 15 or 20 yuan per student each semester for its public expenses.<sup>113</sup> To pay for its public expenses and benefits for teachers, schools charged all kinds of random fees on top of high tuition and regular fees, such as demanding that students bring their own desks, forcing students to bring grain and eat in the school, charging fees for exams, homework, and newspapers. It was no strange that the immediate cause of all three cases of peasant protests studied in this dissertation was education fees, such as high tuition, education surcharges, and school-building fees.

### ***Education Surcharge and Education Fund***

As mentioned above, 50% of the expense of basic education of a county came from fees collected from peasants. To fund basic education, the central government allowed local governments to collect two kinds of fees from peasants, including the education surcharge and the education fund (*jiaoyu jizi*), called in Hunan either the “4, 6, 8” education fund or “6, 8, 0” education fund.<sup>114</sup> The education surcharge was levied on each peasant. The original purpose of the surcharge was to improve school

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<sup>112</sup> Interview with a retired rural cadre in Huaizhou City, August 2001.

<sup>113</sup> Interviews with various rural united-school cadres in Huaizhou, Zizhou, and Yuanxiang, 2001-2003, summer 2004, and Jan. 2005.

<sup>114</sup> Interview with the director of the Bureau of Education in Huaiyang District of Huaizhou City, August 2004.

conditions (*gaishan banxue tiaojian*) and to pay for people-sponsored teachers (*minban laoshi*), whom, unlike state-sponsored teachers (*gongban*), were paid by fees collected from peasants rather than from the government's budget.<sup>115</sup> However, because counties and townships in Hunan were severely lacking funds, they had to rely on the education surcharge to pay teachers' salaries.

As education expenses increased dramatically in the 1990s, the education surcharge also increased many times. For example, in Liugongwan Township, Huaiyang District, it increased from 4 yuan per peasant in 1988, the earliest year that the fieldwork data covered, to 34 yuan per peasant in 1998, the year when peasant burdens were the heaviest in that county (tables A.1; A.7). The highest level of the education surcharge in counties studied in this dissertation was 60 yuan per peasant, which happened in Dong County in southern Hunan, where peasant burden level reached more than 200 yuan per person between 1995-1998 even though it was not a lake county.<sup>116</sup> Townships collected the education surcharge from each peasant and needed to turn in the money to either the Bureau of Education in a county or the Rural United-School (*xiang lianxiao*). A rural united-school was an agency of the Bureau of Education that was in charge of all primary and middle schools in a township.

Townships were allowed to collect the education surcharge only from each peasant. However, in the countryside in Hunan, both townships and rural united-schools collected the surcharge. Townships collected the surcharge from every peasant, whereas rural unite-schools collected it from each student every semester. The amount of the education surcharge levied on each rural student varied in different

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<sup>115</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>116</sup> Interviews with peasants in Dong County in southern Hunan, summer 2004. See chapter 6 for details on peasant burdens in this county.

years and counties. In Zizhou County, for instance, each rural student was made to pay 80 yuan of the education surcharge each semester in 2001.<sup>117</sup>

Levyng the education surcharge on students was called “collecting peasant taxes and fees from students” (*suidu dai zheng*). Though strictly forbidden by the central government, it was widely practiced in the countryside for two reasons. First, it was much easier to collect the education surcharge from students than from peasants. Ever since 1998, it became very hard to collect taxes and fees from peasants.<sup>118</sup> As a result, townships very often could not collect the full amount of the surcharge from peasants. Students, however, were easy to coerce, for those who did not turn in the education surcharge were simply not allowed to register or issued textbooks.<sup>119</sup> Second, townships in Hunan were heavily indebted, and they often used up the education surcharge and did not hand it to rural united-schools, which needed the money to pay their teacher salaries. Hence, rural united-schools had to collect the surcharge from students.<sup>120</sup>

Charging students the education surcharge was a highly contentious issue in the countryside. Peasants with school-attending children ended up paying for the education surcharge four times a year, once levied on they themselves and three times

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<sup>117</sup> Interviews with peasants and rural cadres in villages in Qingpu Town of Zizhou County, 2001.

<sup>118</sup> See chapter 4 for more details.

<sup>119</sup> In China students received their textbooks from the school. They could not buy textbooks individually from a bookstore.

<sup>120</sup> After peasants started resisting heavy burdens, some counties and townships allowed peasants to deduct the education surcharge that their children paid from the taxes and fees that the local government charged on the family. Villages, while clearing their accounts with townships, could also deduct the education surcharge that they collected from their students from the total number of taxes and fees that the villages needed to turn over to townships. Interviews in Zizhou County and Yuanxiang County, October 2001 and October 2002.

levied on their children.<sup>121</sup> If a peasant had two or three children, the education surcharge could be very heavy.<sup>122</sup> Counties and townships, however, could not give up this practice. If they did, they had no money to pay teacher salaries. For example, Zizhou County did not collect the education surcharge from students for the fall semester in 2001, which was 80 yuan per student. Short of money to pay teacher salaries, it had to reassume the practice, after students had already registered for classes and been issued textbooks. Schools were closed down and teachers were sent to student homes to collect the surcharge, and the students were told not to come to school if they could not come up with the money. Parents, however, refused to pay.<sup>123</sup> Peasants regarded it to be highly unreasonable for townships to charge the surcharge both on land and on students. Charging students the education surcharge was the direct cause of peasant protest in two of the three cases that this dissertation studies. It was a universal complaint among peasants in Hunan.

In addition to the education surcharge levied on each peasant, the rural united-school itself also collected the aforementioned education fund from each student referred to in Hunan as either the “4, 6, 8 fund” or the “6, 8, 0 fund.” This meant that each semester schools collected either 40 or 60 *yuan* from each primary school student, 60 or 80 *yuan* from each middle school student, and 80 or 100 *yuan* from each high school student.

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<sup>121</sup> Students needed to pay the education surcharge three times a year because they needed to pay the surcharge twice a year to their rural united-schools. They also needed to pay the surcharge once a year to their township government.

<sup>122</sup> Peasants are allowed to give birth to a second child if the first one is a girl. Peasants can also give birth to a second or third child after being fined. It is common for a peasant family in Hunan to have two children. Unlike in the early 1990s, however, most peasants nowadays willingly observe the family planning policy, for it has become increasingly expensive to raise a child in China.

<sup>123</sup> Interviews with peasants and teachers in Tongqiao Village and Wushui Village, Qingpu Town, Zizhou County, Oct. 2001.

## ***Two Fiscal Models for Funding Rural Basic Education***

***First fiscal model.*** In spite of high tuition, the heavy education surcharge, and the education fund, and all kinds of other fees levied on students, rural teachers in Hunan were not paid their salaries in the 1990s, sometimes for as long as four months. As a result, teachers in parts of Hunan went on strike, while peasants were rioting and protesting against heavy burdens.<sup>124</sup> The dismal state of basic education in rural Hunan, together with very high common production fees that peasants had to pay, demonstrated the Chinese-style fiscal federalism at its worst.

Rural teachers were not paid salaries in the 1990s because counties transferred the burden of paying for basic education to townships. In the 1990s, in most counties,<sup>125</sup> funding for basic education followed the principle of “counties responsible for county schools, townships responsible for township schools, and villages responsible for village schools.”<sup>126</sup> Basic education expenses consist of two major categories: paying for teacher salaries (*fa gongzi*) and improving school conditions (*gaishan banxue tiaojian*). The latter is a broad concept covering all activities related to school conditions, ranging from small and inexpensive public expenditures, such as buying chalk, brooms, desks, and equipment to big and expensive items, such as constructing new school buildings. Under this principle, a county only needed to pay salaries to and improve school conditions of primary and middle schools located in its county seat, but not for schools located in villages and townships.<sup>127</sup> A township

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<sup>124</sup> Interviews in Yuanxiang County (Oct. 2002) and Qinggang City (summer 2004). Qinggang City, just like Sishui City, is a county-level city.

<sup>125</sup> There were exceptions to this funding principle. For example, Huaiyang District of Huaizhou City never made townships pay for their teacher salaries in the 1990s. Interview with the Director of the Bureau of Education of Huaiyang District, August 2004.

<sup>126</sup> The Chinese phrase for this is *xianxue xianban*, *xiangxue xiangban*, *cunxue cunban*.

<sup>127</sup> Counties also need to fund high schools. There is no high school in a township.

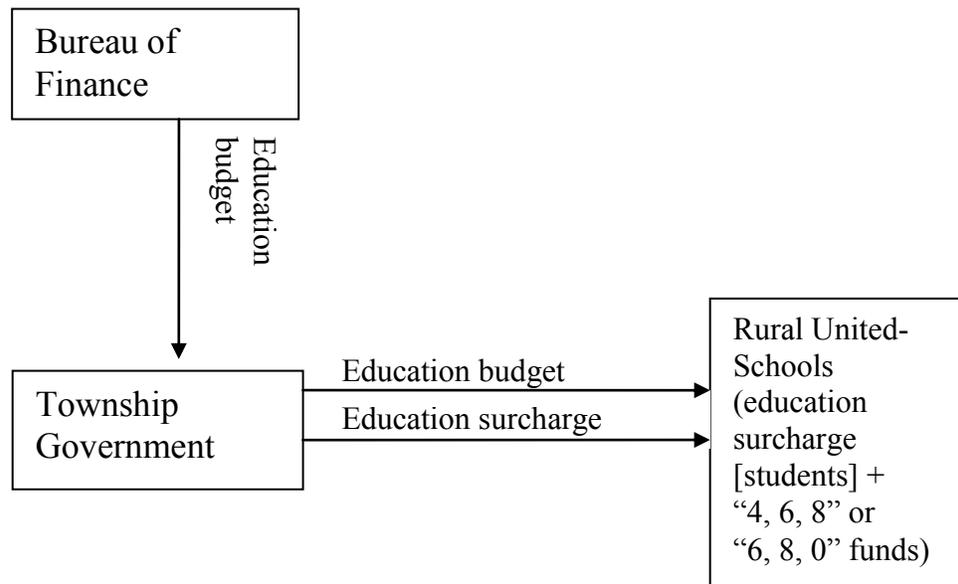
needed to pay for salaries of all teachers in the entire township. Improving school conditions was split between townships and villages. Townships needed to improve school conditions for township schools, which included one or several middle schools and one central comprehensive primary school (*wanquan zhongxin xiaoxue*).<sup>128</sup> Villages needed to improve school conditions of village primary schools.

This policy made townships, the poorest of all layers of the Chinese government, fund basic education, which was very expensive. Townships, heavily in debt, and facing widespread peasant resistance against heavy education fees, often failed to pay teacher salaries. It was only in the late 1990s that townships were relieved of the burden to pay for basic education due to widespread peasant protest and riots, teacher strikes, and an acute sense of rural crisis. The responsibility was upgraded to counties with one caveat. Improving school conditions remained the responsibility of townships and villages themselves.

Under the aforementioned education funding policy in the 1990s, counties allocated to townships both the regular budget that covered a township's administrative expenses and an education budget. The education budget, however, was not enough to pay teacher salaries in the township, not to mention improving school conditions. Townships needed to collect the education surcharge from peasants to cover the shortfall. A township was supposed to allocate both the education budget and the education surcharge to its rural united-school. A rural united-school then paid its teachers with these two types of money, plus the education fund and the education surcharge that it collected from each student.

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<sup>128</sup> A comprehensive primary school has all six grades. A central comprehensive primary school is located in a township seat with better conditions than a comprehensive primary school in a village. Some villages have an incomprehensive primary school. For example, it may only have grade 1 to grade 4. Interviews with peasants, rural teachers, village and township cadres in Zizhou County and Huaiyang District, Huaizhou City, 2001-2002.



**Figure 3.1: Funding for Basic Education in Rural China in the 1990s**

This fiscal arrangement linked a rural united-school’s finance with that of a township’s. Both rural teachers and townships cadres were paid by township governments. To put it bluntly, as a township cadre did, “If we do not have rice to eat, neither do they. If we are not paid, neither are they.”<sup>129</sup> Because townships in Hunan were heavily indebted in the 1990s, quite often they failed to allocate the education surcharge to their rural united-schools, either because they did not collect enough money from peasants, or because they used it up for other purposes, such as paying debts.

Not paid for months, teachers went on strike, while peasants rioted and protested against heavy burdens. For example, in Cangyuan Town, Yuanxiang County, even though schools charged high tuition and collected an education

<sup>129</sup> “Rice” means salary and “they” means teachers. Interview with the director of the Rural Tax-for-Fee Reform Office in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

surcharge from students, teachers were still not paid for months. In 1998, teachers went on strike and marched to the town government, demanding their salaries.<sup>130</sup> In Qizong Township, Qinggang City, “The township government embezzled (*nuo yong*) the education surcharge that it collected from peasants. As a result, teachers were not paid salaries and they were very angry. Teachers in return bundled the education surcharge with tuition and charged 20 yuan per student every semester and 40 yuan a year. Peasants also had to pay either 10 or 18 yuan of the education surcharge per person a year. Thus both peasants and students had to pay the surcharge. Students had to pay the education surcharge three times a year.<sup>131</sup> Peasants had to pay unreasonable education surcharges. Without the surcharge, teachers could not get paid. Peasants were angry at teachers because the teachers bundled the surcharge with tuition. Teachers, on the other hand, were angry at township leaders (because they were not paid). Teachers went on strike, saying that peasants could march on the street and educators could go on strike.”<sup>132</sup> In Qingpu Town, Zizhou County, during the first few years when peasants started refusing to turn in taxes and fees, the town government organized a demonstration of teachers, shouting “Shame on those who refuse to turn in the state tax!”<sup>133</sup>

***Second fiscal model.*** To restore rural order, in 2000,<sup>134</sup> townships were relieved of their responsibility of paying teacher salaries. Counties took up the burden.

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<sup>130</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>131</sup> See fn. 121 in this chapter for an explanation.

<sup>132</sup> Interviews with several protest leaders and a group of ordinary peasants in Baishiqiao Village, Qizong Town, Qinggang City, August 2004. The strike happened in 1996.

<sup>133</sup> Interviews with peasants in Wushui Village, Qingpu Town, Zizhou County, October 2001.

<sup>134</sup> Some counties started paying township and village teacher salaries much earlier. For example, Fenglin District, Huaizhou City did this in 1995. Interview with the director of the Budget Office of the Finance Bureau of Fenglin District, Huaizhou City, May 2003.

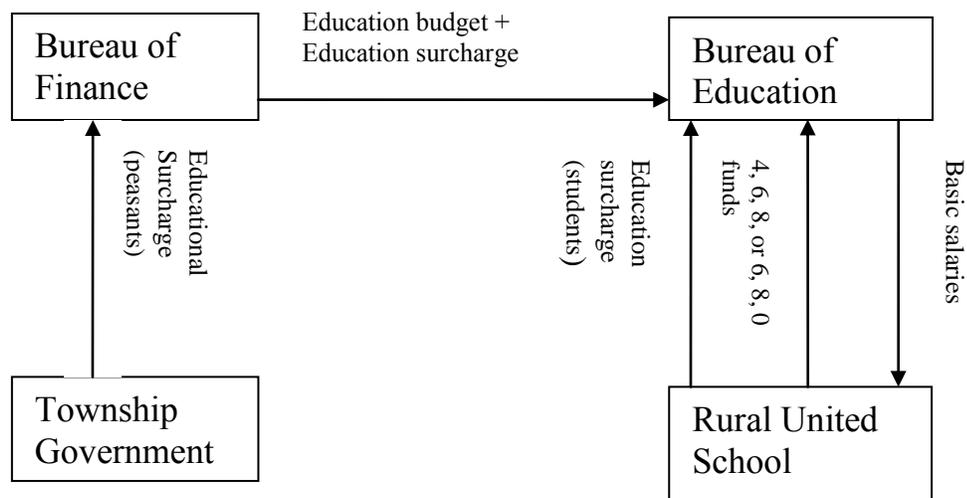
Townships were only responsible for improving school conditions. The education policy changed from the aforementioned “counties responsible for county schools, townships responsible for township schools, and villages responsible for village schools” to “several layers of government sharing the responsibility for education, with the county shouldering most of it.”<sup>135</sup> A county’s education bureau, rather than townships, now needs to pay teacher salaries in rural areas. As a result, most of the education surcharge, including both those collected by townships and those collected by rural united-schools, has to be turned over to the education bureau. Similarly, rural united-schools have to turn in most of the education fund to the education bureau. Without these two types of fees, the education bureau would not have enough money to pay teacher salaries. A small percentage of the education surcharge and education fund were retained by townships and rural united-schools so that they could use the money to improve school conditions. For example, Huaiyang District, Huaizhou City, which had more than 70,000 students, including high school students and almost 6,000 teachers, collected close to 19 million *yuan* of the education surcharge and the education fund each year. 10 million *yuan* needed to be turned over to the Bureau of Education to pay for teacher salaries. The rest stayed with rural united-schools and townships so that they could improve school conditions.<sup>136</sup> Fenglin District, another district of Huaizhou City, charged 28 *yuan* of the education surcharge from each peasant in 2001 and it had more than 600,000 peasants. Altogether it collected around 16 million *yuan* of the education surcharge, among which 12 million *yuan* needed to

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<sup>135</sup> In Chinese the expression is “*fenji banxue, yi xian weizhu.*” Interviews with cadres in charge of basic education at both the township and county level in northern and central Hunan, 2001-2003.

<sup>136</sup> Interview with the director of the Bureau of Education in Huaiyang District of Huaizhou City, August 2004.

be turned over to the county's Bureau of Education and 4 million *yuan* remained with townships and rural united-schools for them to improve school conditions.<sup>137</sup>



**Figure 3.2: Funding for Basic Education in Rural China since 2000**

*Comparison of the two models.* Under the first fiscal arrangement, townships were responsible for both salaries and expenses related with improving school conditions of rural schools. Rural united-schools depended on townships for both salaries and their public expenses. Under the second fiscal arrangement, both townships and rural united schools retained some education surcharge to improve school conditions. Rural united-school also retained some education fund. Except for some education surcharge retained by townships which had to be spent on schools, the finance of a township and that of a rural united-school was de-linked in the late 1990s.

After counties took charge of basic education, teacher salaries were usually paid on time, partly because counties were in somewhat better shape financially than townships. This did not mean that the problem of paying for basic education was

<sup>137</sup> Interview with the director of the Office of the Finance Bureau of Fenglin District, Huaizhou City, May 2003.

magically solved once counties were in charge. Counties, just like townships, also faced a fiscal crisis and were deep in debt. Whether or not a county could pay its teacher salaries still depended on whether rural cadres and rural united- schools could collect the full amount of the education surcharge and the education funds from peasants and rural students. To maintain rural stability, counties very often had to borrow money from banks to pay for teacher salaries.

Townships, though relieved of the burden to pay their teacher salaries, were still responsible for collecting the full amount or most of the education surcharge from peasants and turning it over to the county's education bureau. The education surcharge became another quota that townships had to fulfill. For example, in 1997, Liugongwan Township, Huaiyang District had to turn over 400,000 yuan of the education surcharge to the county when actually it collected much less than that from peasants.<sup>138</sup>

According to cadres in Wangyuting Town, Huaiyang District, after townships collected taxes and fees from peasants, they first needed to turn over the agricultural tax, the special agricultural product tax, and the education surcharge to counties.<sup>139</sup> The education surcharge quota, of course, was still much less a burden than before, when a township was fully in charge of rural basic education. Further, while townships complained about having to submit the education surcharge to counties even when they did not collect the full amount, counties complained that many townships simply could not collect enough education surcharges because of widespread peasant

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<sup>138</sup> Interview with a vice director of the Liugongwan Township and with the director of the Fiscal Office of Liugongwan Township, Huaiyang District, March 2002.

<sup>139</sup> Interviews with cadres in Wangyuting Town, Huaiyang District, Huaizhou City, December 2001.

resistance against heavy burdens. However, counties still had to pay salaries to teachers in these townships, for the sake of maintaining rural stability.<sup>140</sup>

### ***Dilapidated School Renovation Fee***

In addition to the education surcharge and the education fund, rural united-schools collected a third type of fee from students called the dilapidated school renovation fee. Renovating dilapidated schools was the only infrastructure project in basic education carried out in the late 1990s. It happened after local schools had all reached the “two basic education standards,” a project that cost each township in Hunan several million of yuan to upgrade their schools and equipment.<sup>141</sup> Renovating dilapidated schools was significantly cheaper and was carried out on a much smaller scale than reaching the two basic education standards. However, it again posed another burden on peasants, as each rural student was charged dozens of yuan a semester for the dilapidated school renovation fee.

In 2001, the central government decided to speed up the process and use two years to basically eradicate dilapidated primary and middle schools built in the 1970s, the 1980s, and the early 1990s. The central government appropriated 3 billion *yuan* subsidizing school renovation in poor counties in Central and Western China. Provincial governments were required to match up with a certain amount of the funds.<sup>142</sup> However, the bulk of the money came from peasants. For example, Huaiyang District, Huaizhou City only received around 1 and 2 million yuan of the dilapidated

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<sup>140</sup> Interview with the director of the Budget Office of the Fiscal Bureau of Fenglin District of Huaizhou City, May 2003.

<sup>141</sup> See the section below for details on reaching the two basic education standards.

<sup>142</sup> *Guanyu shishi zhongxiaoxue weifang gaizao gongcheng de yijian* [Opinions on carrying out the project of renovating dilapidated middle school and primary school buildings] issued by the Ministry of Education, the State Planning Commission, and the Ministry of Finance on January 23, 2001. Interview with the director of the Bureau of Education of Huaiyang District, Huaizhou City, August 2004.

school renovation fee each year from both the central and the provincial government since 2001, whereas its rural united-schools collected dozens of yuan of the dilapidated school renovation fee each semester from each student.<sup>143</sup> In Liugongwan township, one of the 10 townships governed by Huaiyang District, each student had to pay 40 yuan of the dilapidated school renovation fee each semester and 80 yuan per year. Because it had more than 5,000 students, this rural united-school collected more than 400,000 yuan of the dilapidated school renovation fee from students each year. It could keep around 90% of this fee to itself and turn over the rest to the Bureau of Education.<sup>144</sup> The rural united-school used the money to renovate schools, to pay for public expenses, such as purchasing office supplies, and also to pay for the two types of “policy fees” (*kouzi fei*) to its teachers.<sup>145</sup>

### ***Miscellaneous Fees***

High tuition, the education surcharge, the education fund, and the dilapidated school renovation fee were not all the fees that peasant students had to pay to attend school. Because schools could only retain 15 or 20 yuan a semester from each student to use for their public expenses, they charged the students a series of fees. Students had to pay for textbooks and for water and electricity bills. They were forced to wear uniforms and to pay for them. They were forced to bring a large amount of grain each year to school and eat lunch at school. Schools also made them labor for free for many days every year, raising pigs, picking up oil seeds from trees, and working in school

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<sup>143</sup> Interview with the director of the Bureau of Education in Huaiyang District, August 2004.

<sup>144</sup> Interview with a teacher of the Rural United-School of Liugongwan Township, Huaiyang District, Huaizhou City, summer 2004.

<sup>145</sup> As explained in chapter 2, a policy fee was money paid to civil servants and teachers that were allowed by policies issued by either the central or the provincial government but paid for by the local government. There were two policy fees in the 1990s, including 150 yuan a month of the cost of living subsidy (*shenghuo buzhu*) and 70 yuan a month of the price subsidy. Interviews in Huaizhou, Zizhou, and Yuanxiang, 2001-2003.

factories, if there were any. To take midterms and finals, the students needed to turn in the exam fee (*kaoshi fei*). To get their homework assignments other than those from the textbooks, they needed to turn in the assignment fee (*juanzi fei*). Many other fees were also bundled together and students were made to pay for them. For example, students were made to pay immunization fees and purchase all kinds of insurance.

### ***Reaching the Two Basic Standards***

***Constructing new schools.*** On top of high tuition and various fees, peasants everywhere in Hunan were also made to pay for construction of new schools in the 1990s during the drive to reach the two basic standards in education, an unfunded central mandate that increased peasant burdens and saddled each township in Hunan with several million yuan of debt. Among all standard-reaching activities carried out in the 1990s,<sup>146</sup> reaching the two basic standards in education had the most serious financial consequences for townships and villages and contributed the most to the conflicts between peasants and local governments. The waste and corruption in school construction led to widespread peasant discontent and organized protest in several cases.

In the early 1990s, the central government required that local government should basically eradicate illiteracy among young people and realize nine years of compulsory education in the countryside. Known as “the two basics” (*liang ji*), the policy set up standards regarding enrollment rates and infrastructure. It required local governments to improve infrastructure in basic education and to ensure that all or most children at school-attending age were enrolled in schools. To reach these two

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<sup>146</sup> Another standard reaching activity carried out in the mid 1990s was to make sure that a township’s health clinic reached a certain standard, known as “reaching the health standard” (*weisheng dabiao*). Interview with the director of the Economic Management Bureau of Fenglin District, Huaizhou City, June 2003.

standards and to pass inspection, counties, townships, and villages renovated old schools, built brand new school buildings and dining halls, and purchased new equipment for labs and classrooms. The money came entirely from local governments. Specifically, it came almost exclusively from townships and villages.<sup>147</sup>

Because whether or not schools reached the two standards and pass the inspection was an important criteria in deciding whether to promote or demote an official, local governments in Hunan went into a school construction spree in the 1990s, even though they did not have the money for the projects at all. According to a town cadre, “No matter how poor we are, we should not let our schools be poor. No matter how miserable we are, we should not let our children be miserable—this was emphasized at that time.”<sup>148</sup> [Townships and villages] thus had to suffer lots of hardship to construct new schools. Actually they did not have the fiscal capacity at all. As a result, they had to borrow money, collect funds from peasants, and levy charges on land.”<sup>149</sup> Almost every township and very village in Hunan tore down old schools and built new ones. The cost was borne by townships and villages, which then transferred the cost to peasants. Townships and villages first built the schools with money borrowed from banks, credit unions, and funds gathered from cadres (*jizi*). They then levied the cost on peasants through collecting the “new school construction fee” (*jianxiao fei*) or “school construction and renovation fee” (*jianxiao gaiwei fei*).

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<sup>147</sup> In the 1990s, townships and villages not only had to pay for 50% of rural teachers’ salaries through collecting the education surcharge and the education fund, but they also had to finance the entire cost of improving school conditions. All the costs of reaching the two basic standards belonged to the category of improving school conditions.

<sup>148</sup> The expression in Chinese was “*zaiqiong buneng qiong xuexiao, zaiku buneng ku haizi*.” Interview with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Yuanxiang County, October 2002.

<sup>149</sup> *Ibid.*

Peasants or students in Hunan had to pay dozens of yuan or kilos of grain for years in a row for the new schools built during the drive to reach the two basic standards.<sup>150</sup> Each peasant in each village had to pay twice for these new schools. First, (s)he needed to pay to build a new village school. Second, (s)he also needed to pay for the new township middle schools and the new central primary school in the township. Burdens piled upon burdens, choking peasants and their children, as can be seen in the following exchange between a retired town cadre and the current town party secretary over school construction fees:

A new school construction fee was collected on top of the education surcharge. Both the commune and the brigade built new schools. The money all came from peasants in villages.<sup>151</sup> That day town cadres came to the village to hold a meeting. The town party secretary said that the town needed to collect from each student 15 yuan each year for three years in a row to build a new town school, another 15 yuan to build a village school, another 15 yuan from them to buy desks, and other fees for other purposes. I asked him: “Want to add even more items to the list? Why do not you add up the numbers? Can you not see that the students cannot bear the burdens anymore? You build schools, yet you make students pay for them.” I told him that he could add no more fees to the list. For four or five years we paid money to build schools each year. Who knows exactly how much it cost to build these schools?<sup>152</sup>

The only money that counties spent during the drive to reach the two basic standards was a tiny amount of the school construction award. In Dongxingyuan Town, Yuanxiang County, for example, for each square meter of school buildings that the town newly built or expanded, the county awarded it about 10 or 20 yuan. This

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<sup>150</sup> See the section entitled “Weakness of Local Government and Unfunded Central Mandates” in chapter 2 for details.

<sup>151</sup> Note that this retired town cadre, a man more than 70 years old, used the languages both in the collectivist era and the reform era to refer to townships (*xiang* or *gong she*) and villages (*cun* or *da dui*). Interview with a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>152</sup> Ibid.

practice was called “substituting awards for subsidies (*yijiang daibu*).”<sup>153</sup> Higher levels of government gave lower levels of government small awards, which did not cover the full difference between the cost of a public project, such as building a new school, and what the local government could afford to spend on the project. Just like unfunded central mandates, “substituting awards for subsidies” was one of the many fiscal practices that created the severe downward fiscal pressure within the Chinese bureaucracy.

***Corruption and financial consequences of reaching the two basic education standards.*** New schools were costly to build, particularly when there was no oversight as to how the money was spent. Due to corruption and waste, a new township middle school alone could cost a few million yuan. A village primary school cost hundreds of thousands of yuan. Peasants in Qingpu Town, Zizhou County complained that the new town middle school was more expensive to build than a mansion (*bie shu*) and that it was built mostly for the convenience of the children of town cadres.<sup>154</sup> Liulin Township, a small township with more than 10,000 peasants in Yuanxiang County, collected 15 yuan of the school construction fee from each peasant for four years in a row. It altogether collected more than 800,000 yuan. The township, however, only spent 300,000 yuan to build the new school. The other 500,000 yuan was pocketed by township cadres.<sup>155</sup> Some built new schools even when there was no need. In Shuangdu Village, Cangyuan Town, for example, “The village party secretary collected some funds from peasants and cut down some trees from the mountains and

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<sup>153</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>154</sup> Interviews with peasants in Qingpu Town, Zizhou County, March 2001 and October 2001.

<sup>155</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, October 2002.

built a new school building to use as teacher dorms and classrooms. There was no need to build this new school at all, for the old one was spacious enough. Every village cadre was paid wages (for school construction) and 800 yuan of the ‘spirit subsidy fee’ (*jingshen buzhu fei*). Cadres, of course, can only make money when they construct projects. Ever since they built the school, the masses (*junzhong*) have some resentment against village cadres.”<sup>156</sup> In many villages, the new schools, costly as they were to peasants, had to be abandoned in a few years due to low birth rates and falling enrollment rates.<sup>157</sup>

Reaching the two basic standards not only increased peasant burdens, but also contributed significantly to the heavy indebtedness of villages and townships. Almost every township in Hunan incurred a debt of a few million yuan as a result of this unfunded central mandate. Other than the debt caused by not having enough money to pay teacher salaries, the two-basics debt is the largest component of education debts that local governments have today. The two-basics debt is also a major component of village debts.<sup>158</sup>

Villages and townships usually borrowed money and built new schools first, hoping to pay back the debts through levies on peasants for several years in a row. In 1998, the central government, facing a widespread rural crisis and peasant tax riots and protests, limited peasant burdens to no more than 5% of peasants’ net annual income in 1997 and forbade local governments to collect a series of fees, including the

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<sup>156</sup> Ibid.

<sup>157</sup> In the past, there was one primary school in each village. Due to the family planning policy, the birth rate in villages has been very low since the 1990s. Some villages only have two to three babies born in a year. Sometimes several villages today have to share one primary school. Interviews in villages in Qingpu Town, Zizhou County, March 2001 and October 2001.

<sup>158</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Yuanxiang County, October 2002.

new school construction fee. As a result, townships and villages were straddled with a large amount of the two-basics debts.<sup>159</sup>

To summarize, counties and township governments in Hunan could only afford to pay half of the cost of basic education. The other half was paid by the education surcharge and education fund levied on peasants and rural students. Peasants also had to pay for the construction of education infrastructure. The biggest education construction project took place in the early to mid 1990s during the drive to reach the two basic standards in education, an unfunded central mandate that increased peasant burdens and saddled townships and villages with debts. After the two basics standards were reached in the late 1990s, townships no longer incurred large education debts, not only because they were relieved of the burden to pay teacher salaries, but also because no major education projects were carried out other than renovating dilapidated schools, which was on a much smaller scale. Lacking money for public expenses, schools charged students numerous fees in addition to high tuition and government education levies. High education costs and unreasonable education fees were a universal complaint among peasants in Hunan that featured in all peasant tax riot and protests in the 1990s.

## **Variations of Peasant Burdens in Hunan**

### **Variations of Peasant Burdens in the 1990s**

The level of peasant burdens in Hunan varied both across different time periods and in different topographies. Since when did peasant burdens in Hunan increase? How much had peasant burdens increased over the years in the 1990s and

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<sup>159</sup> See the section entitled “Weakness of the Local Government and Unfunded Central Mandates” in chapter 2 for details.

beyond? To answer the two questions, let us now look at peasant burden levels in Liugongwan Township, Huaiyang District. Tables A.1-4 recorded peasant burdens in Lijiamiao Village, Liugongwan Township, Huaiyang District from 1988 to 1995 and in 2001. Tables A.6-7 recorded peasant burdens in the township in 1992 and from 1994 to 2001. Together the tables give a general picture of the variations of peasant burdens from 1988 to 2001, the year before the rural tax-for-fee reform took place. Though a lake township, Liugongwan Township is not as low-lying as townships near Dongting Lake, such as Qianjiaping Township where Yongbozhou Village is located. Therefore, its peasant burden level was higher than those in hilly and mountainous areas, but was not the highest in Hunan. However, the trend depicted in the tables was representative of peasant burdens in the entire province.

To be able to compare the tables, grain amount was converted to cash based on the procurement grain price from 1986 to 1995 listed in table A.5. Grain price after 1995 was assumed to be 50 yuan per 50 kilos or 1 yuan per kilo.<sup>160</sup> Note that neither peasant burden cards nor village and township burden tables, from where these numbers are taken, include all types of peasant burdens. For example, they all leave out the new school construction fee, which was levied on peasants everywhere in Hunan during the drive to reach the two basic standards in education. The education surcharge levied on students is also left out. Nor do they list various funds, such as the core levee fund. Obviously, no fines are registered. Therefore, the actual peasant burdens were higher than those recorded in the tables. However, this does not prevent us from seeing how peasant burdens evolved over time.

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<sup>160</sup> Between 1996 and 2001, the price of grain for the early crop was a little more than 40 yuan per 50 kilos and a little more than 50 yuan per 50 kilos for the late crop. Thus, the price of grain was roughly 1 yuan per kilo during this period.

Peasant burdens increased each year from 1988 to 1998, when the burden level reached the highest in this county. It started to decline in 1999. However, peasant burden remained very high until 2001. In 1988, the burden level in the village was only 22.4 yuan per person or 21.33 yuan per *mu* (table A.1). Ten years later, in 1998, the burden level reached 131.92 yuan per person or 169.95 yuan per *mu* (table A.7). Peasant burden level per *mu* in 1998 was almost 8 times its level in 1988. In 2001, the year before the rural tax-for-fee reform, peasant burdens in this township was still as high as 134.39 yuan per *mu* (table A.7), which was 6.3 times the burden level in 1988. Peasant burdens started to increase exponentially in 1992, when the education surcharge increased from 4 yuan in 1988 to 15 kg of grain or 7.35 yuan per person. Two new fees, including the family planning fee and the road construction fee, were also added, thus increasing the number of unified township fees from three to five. Peasant burdens doubled, as it increased from a little more than 20 yuan per *mu* in 1988 to a little more than 40 yuan per *mu* in 1992 (table A.1).

In spite of the increase, the burden level was still bearable. However, things took a dramatic turn for the worse in 1995, when the education surcharge almost doubled (from 9 to 17.6 yuan), the village administration fee doubled (from 3 to 6 yuan), and the road construction fee was 21 times its level in 1993 (from 0.5 yuan to 10.5) yuan (tables A.3). In 1995, for the first time, the peasant burden reached more than 100 yuan (103.85 yuan per person and 124.81 yuan per *mu*).<sup>161</sup> From 1995 to 1998, burden levels reached a plateau and were heavier than all other years.<sup>162</sup> The

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<sup>161</sup> The number of peasant burdens in 1995 was taken from table A.3 (village level) rather than from table A.6 (township level), which did not include the village administration fee. In general, even when township tables did include village fees, peasant burdens recorded at the household level were heavier than those recorded at the township level. See table A. 32.

<sup>162</sup> Peasant burdens during this period were very high also because of the new school construction fee collected everywhere in Hunan, which was not shown in the tables.

average peasant burdens per person during this time period reached 130.24 yuan.<sup>163</sup> Peasant burdens started to decline somewhat in 1999, compared to 1998. Still, they remained very high. From 1999 to 2001, peasants in this township still had to pay an average of 105.97 yuan of taxes and fees per person.

The annual increase of peasant burden since 1988 in the village and the township could be attributed to the following factors:

First, the education surcharge, the largest item of the “three fees and five unifieds” increased each year since 1988. By 1993, the level had more than doubled (from 4 to 9 yuan per person). Between 1994 and 1996, the surcharge increased dramatically, reaching 26 yuan per person in 1996. The highest level was 35 yuan per person in 1998 (tables A.1-2; A.6-7).

Second, the common production fees in the village, including the river bank grain, drainage fee, winter irrigation construction grain, flood-fighting fee, and water fee also increased steadily each year between 1988 and 1995 (table A.4). In 1995 peasants in the village needed to pay more than 40 kilos of grain per *mu* for common production fees, whereas in 1988 they only needed to pay more than 8 kilos.

Third, between 1988 and 1991 there was no family planning fee or the road construction fee. Starting in 1992, these two new fees were added to the list of peasant burdens (table A.1).

Fourth, village fees remained at about 3.5 yuan to 5 yuan per person between 1988 and 1994 (table A.1). The first big increase happened in 1995, when fees jumped to 9.5 yuan per person (table A.3). In 1997, village fees jumped yet again to 17 yuan per person. They climbed up to 27 yuan per person in 1998, the year when the burden

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<sup>163</sup> Because the township table did not include village fees for 1995 and 1996, I use the burden level of Lijiamiao Village for 1995 from table A. 3 and the burden level of Fengyugang Village, another village in the township in 1996 from table A.8.

level was the highest, then declined to 18 yuan in 1999 and 17 yuan in 2000 and 2001 (table A.7).

### **Variations of Peasant Burdens in Different Topographies**

Peasant burdens in Hunan also varied across different topographies. Due to extraordinarily high common production fees, peasant burdens in low-lying lake areas were about two or three times the level in hilly and mountainous areas. Since 1995, when peasant burdens shot up dramatically, peasants in lake areas needed to pay more than 200 yuan per *mu* or more than 300 or even 400 yuan per person (tables A.9-11).<sup>164</sup> The burden level in lake areas remained high after the rural tax-for-fee reform, even though the reform did lower it significantly. For example, in Jinshi, a county near Lake Dongting in Changde Prefecture, a peasant still needed to pay at least three “*dan*” of grain, which meant 150 kilos of grain of taxes and fees in 2001, even after the pilot project of the rural tax-for-fee reform carried out there lowered peasant burdens.<sup>165</sup> When the burden level in hilly areas was lowered to less than 14 yuan per *mu* in 2004 due to agricultural subsidies and a lowered agricultural tax rate, in Yongbozhou Village, Huaiyang District, which is a low-lying lake village, a peasant still needed to pay more than 300 yuan per person in 2003 and more than 260 yuan per person in 2004 (table A.11).<sup>166</sup> In somewhat elevated lake areas, where the drainage fee was only a third or a quarter of those in low-lying lake areas, such as Liugongwan

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<sup>164</sup> Interviews with peasants in Sishui City, 2001-2002 and interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City (June 2003). In his acclaimed book, *Wo xiang zongli shuo shihua* [I tell the truth to the Premier] (Beijing: Guangming ribao chubanshe, 2002), Li Changping also argues that the burden level in a lake township in Hubei province where he was the township party secretary was also more than 200 yuan per *mu*, 12.

<sup>165</sup> Interview with a cadre in the Rural Tax-for-Fee Reform Office of the Finance Department of Hunan Province, March 2002. See chapter 7 for details on the rural tax-for-fee reform.

<sup>166</sup> Again, see chapter 7 for details.

Township, peasant burdens decreased from between 160 to 180 yuan per person or per *mu* between 1995-1998 to more than 120 yuan per *mu* after 1998 (tables A.2; 7; 14-16), which was somewhat heavier than the level in hilly areas in the same period, but significantly less than those in low-lying lake areas.

In hilly and mountainous areas, peasants usually needed to pay between 140 to 160 yuan per *mu* between 1995 and 1998 when peasant burdens were the heaviest.<sup>167</sup> New school construction fee levied on peasants during the drive to reach the two basic education standards contributed significantly to the heavy burden during this period.<sup>168</sup> This level was then lowered after 1998 to about two *dan* or 100 kilos of grain per *mu* or per person in hilly areas when the new school construction fee and other fees were abolished in 1998 (table A.19).<sup>169</sup> One hundred kilos of grain were worth about 100 yuan, which was still high. It was not until 2004 that peasant burdens in these areas were truly lowered. Over all, it was rare for a hilly county in Hunan to charge fewer than 70 yuan from a peasant. Peasant burdens also varied within these areas in the 1990s. Some charged much less. For example, some townships in Shaoxiang County in Zizhou Prefecture, a hilly county next to Yuanxiang County of Jianglu Prefecture, only levied a little more than 60 yuan per *mu* when the level in Yuanxiang County was a little more than 100 yuan per *mu* in the late 1990s.<sup>170</sup> Some levied more. Dong County, a hilly county in southern Hunan in Shi Prefecture, for example, charged more than 230 yuan per person between 1995 and 1998.<sup>171</sup> This was a level that one

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<sup>167</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City (June 2002) and interview with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Yuanxiang County (October 2002).

<sup>168</sup> Interviews with peasants, village and township cadres, and county cadres in northern and central Hunan, 2001-2003.

<sup>169</sup> Interviews with peasants in Yuanxiang County and Huaiyang District, 2001-2003.

<sup>170</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>171</sup> Interviews with peasants in townships near the county seat in Dong County, summer 2004.

should only expect to see in a lake county. Thus, the number revealed the particularly predatory nature of Dong County.

How much money did a village, a township, a county, a prefecture, the entire province of Hunan, and China as a whole collect from peasants in a year in the 1990s and beyond? The following numbers give the range of money that each layer of the Chinese government collected from peasants in a year in the 1990s and beyond.

### **Village Fees**

In general, lake villages had to collect more village fees than hilly and mountainous areas, as their cadres needed to be paid more. Between 1995 and 2002, the year when the rural tax-for-fee reform was carried out, an average lake village in Hunan collected between 50,000 to 70,000 yuan a year from peasants, whereas an average hilly village usually collected between 20,000 to 30,000 yuan a year.<sup>172</sup> Between 1988 and 1994, during the first stage of peasant burdens, a village usually charged only a few yuan of the village fees from each peasant. After that, it increased dramatically. For example, in Lijiamiao Village, the village fees only increased from 3.5 yuan per person to 5 yuan per person from 1988 to 1994 (tables A.1-2;A.28). In 1995, however, village fees increased to 9.5 yuan per person (A. 3; A.28). Since 1996, villages in Hunan typically collected between 15 yuan to 30 yuan per *mu* or per person of village fees (tables A. 28-31). During this period, a low-lying lake village where peasant burdens were the heaviest usually collected more village fees than all other types of villages. However, because village fees also varied based on the financial situation of a village, a hilly village may end up collecting more than a lake village.

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<sup>172</sup> The first number came from interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City (June 2003). The second number came from interviews with the Director of the Office of the Finance Bureau of Fenglin District, Huaizhou City (May 2003) and with the Director of the Fiscal Office of Wangyuting Town, Huaiyang District, Huaizhou City (summer 2004).

For example, the highest amount of village fees in areas studied in this dissertation happened actually in a hilly village in Yuanxiang County which collected 37.7 yuan per *mu* in 2001.<sup>173</sup> The lightest amount for village fees also occurred in a hilly village in the same county, which collected 10 yuan per *mu* in 1998 and 1999 (table A.19; A.29).

### **Unified Township Fees**

The level of unified township fees could also be divided into two phases: 1988-1994 and 1995-2001. Between 1988 and 1994, though they increased several times, unified township fees were still light. In Lijiamiao Village, the fees increased from 5.5 yuan per person to 15.7 yuan per person (tables A.28; A.1-2). Since 1995, however, the fees increased dramatically. Between 1995 and 2001, five unifications (*wu tong*) ranged between more than 30 yuan to more than 50 yuan per person or per *mu* in Hunan (tables A.28-31). Thus, charging more than 60 yuan per person (Liugongwan, 1998, tables A.28; A.7) of the unified township fees was higher than the normal level, whereas fewer than 30 yuan per person was lower than the average level (Meishan, 1999, 2000, 2001, tables A. 29; A.15). Between 1995 and 2001 the combined three village fees and five unifications (*santi wutong*) in Hunan ranged from more than 50 yuan to more than 70 yuan per person or per *mu* a year (tables A. 28-31).<sup>174</sup> Again, a level below 50 yuan was lower than usual and a level above 70 yuan was higher than usual. Between 1995 and 2001, depending on the size, a township in Hunan collected between close to one million to several million yuan of the five unified township fees (tables A. 20-23; A.27). Adding the five-guarantee household fee and the common

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<sup>173</sup> Interviews with peasants and cadres in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>174</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

production fees, a township in Hunan collected a few million yuan from peasants during this period.<sup>175</sup>

### **Tax and Fee Amounts at Five Government Levels**

Between 1995 and 2001, if we excluded random fees, fines, and funds and only included what could be legally collected from peasants, including the agricultural tax, the special agricultural product tax, the pig slaughtering tax, three villages fees and the five unified township fees, on average townships and villages in a county in Hunan collected tens of millions of yuan and a prefecture collected hundreds of millions of yuan from peasants. For example, the reported peasant burden<sup>176</sup> in Zizhou Prefecture was 240 million yuan in 1998, 190 million yuan in 1999 and 170 million yuan in 2001. That was 114.3 yuan per person in 1998, 90.48 yuan in 1999, and 80.95 yuan in 2001.<sup>177</sup> The entire province of Hunan collected around 6.1 billion yuan of legally allowed taxes and fees from peasants a year in 1998, which was a little more than 100 yuan per person.<sup>178</sup> The actual burden level was, of course, much higher. As mentioned above, the burden level reached more than 300 yuan or 400 yuan per person in lake areas. In hilly and mountainous areas, the level was between 140-160 yuan per person or per *mu* between 1995 and 1998. Nationally, in 1999, peasants paid

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<sup>175</sup> Usually villages collected the five-guarantee household fee. Some townships, however, such as Liugongwan Township, Huaiyang District, Huaizhou City, unified the fee at the township level. Most townships collected the common production fees on behalf of reservoirs and the water management stations. As discussed in this chapter, the common production fees were very high in lake areas.

<sup>176</sup> Taxes and fees allowed by rules and laws were known as “reported burdens” because townships and counties reported these taxes and fees in all kinds of statistical reports. Money collected from peasants randomly and illegally was not included.

<sup>177</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Zizhou City, June 2002.

<sup>178</sup> Interview with a cadre in the Rural Tax-for-Fee Reform Office of the Finance Department of Hunan Province, March 2002.

120 billion yuan of taxes and fees, including 30 billion yuan of the agricultural tax, the special agricultural product tax and the pig slaughtering tax, 60 billion yuan of the three village fees and five township unifications, and 30 billion yuan of the two labor services, fines, and funds. On average, each peasant paid 130 yuan per person in taxes and fees nationally.<sup>179</sup> However, the burden level in Hunan was much higher than the national average.

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<sup>179</sup> *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 3-4.

**CHAPTER 4:**  
**THINGS FALL APART: GRAIN COLLECTION IN HUNAN IN THE 1990s**  
**AND BEYOND**

The last chapter explained the types and amounts of taxes and fees that peasants in Hunan needed to turn over to their local governments since the 1990s. This chapter explains how local governments collected these taxes and fees from peasants in the 1990s and beyond, why the rural public finance system crumbled in 1998, why peasants, local cadres, and the central government held different views on taxes and fees, and why a rural fiscal crisis led to a profound political crisis in the countryside.

As mentioned in chapters 2 and 3, rural public finance in Hunan since the 1990s depended heavily, if not solely, on taxes and fees collected from peasants. Counties not only took away most of the state, local, and fiscal taxes generated in townships through the fiscal contracting system since the late 1990s, but also required townships to turn over two of the five unified townships fees. Townships and villages were dependent on taxes and fees collected from peasants for everything that they did. Peasants not only had to feed the local bureaucracy, but they also had to pay a hefty amount of money for public goods and services. The two most onerous fees were rural basic education and water management.

How did local governments collect these rural taxes and fees from the vast number of peasants scattered in the countryside? Once collected, how were rural taxes and fees distributed among county governments, township governments, county and township agencies, and villages which all depended on the grain for part or all of their budgets? Whose financial needs were met first?

## Why Grain?

Before answering these questions, it is important to clarify that collecting rural taxes and fees revolved around collecting grain, even though more taxes and fees were denoted in cash rather than in grain in the 1990s. Both peasants and rural cadres in Hunan used the phrase “turning in grain” (*jiao liang/jiao gu*) to refer to paying all kinds of rural taxes and fees because grain remained the most important source of their income for many peasants. Although some peasants did pay their taxes and fees in cash, most paid with grain, and when peasants refused to pay unreasonable taxes and fees, it was usually grain that rural cadres seized from them.

### Part I: Grain Collection Before 1998

The collection process involved three steps, including local governments assigning taxes and fees to individual peasant households, township and village cadres collecting grain and money from peasants based on these quotas, and peasants clearing accounts with villages (*qing zhang*), which in turn cleared their accounts with townships.

#### Step One: Assigning Taxes and Fees

Each year a county would issue to a township a basic figure for state taxes, local taxes, and fiscal taxes. Fiscal taxes included the agricultural tax, the special agricultural product tax, the farmland occupation tax (*gengdi zhanyong shui*), and deed tax (*qi shui*).<sup>1</sup> A township in turn distributed the agricultural tax, the special agricultural tax, and the pig slaughtering tax (one type of local taxes) to its villages. In addition to these three taxes, a township also collected unified township fees and other

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<sup>1</sup> The farmland occupation tax and the deed tax were quite small in Hunan. Thus, they did not play a large role in conflicts between peasants and local governments over rural taxes and fees.

fees, as explained in chapter 3. From each village a township collected more than ten types of taxes and fees, including the agricultural tax, the procurement grain, the five township unified fees, the pig slaughtering tax, the special agricultural products tax, the levee fund (in lake areas), five-guarantee grain, irrigation grain, flood-fighting grain (in lake areas), new school construction fees, road construction funds, and other fees that a township deemed necessary. A township also collected grain and money from peasants on behalf of its agencies, such as the common production fees on behalf of its water management station and reservoir, the agricultural technology fee on behalf of the agricultural technology station, and the animal immunization fee on behalf of the animal husbandry and immunization station.

Some of these taxes and fees were usually measured in grain, including the agricultural tax, the common production fees, the irrigation grain, and the five-guarantee household grain. Others were in cash. In the 1990s, however, more of peasants' taxes and fees were denoted in cash, rather than in grain. Townships assigned all the taxes and fees that they needed to collect from a village to village cadres, who in turn calculated the amount that each peasant household needed to pay. The amount not only included taxes collected by the state, such as the agricultural tax, the procurement grain, and by a township (unified township fees), but also fees that a village itself needed to collect from peasants (village fees).

Usually rural taxes and fees were levied either on land (per *mu*) or on people (per person). Some taxes and fees, such as the agricultural tax and the common production fees were levied on land. Some were levied on persons (head taxes), such as the education surcharge, road maintenance fee, and the family planning fee. However, in some counties, the three village fees and five unified township fees (*santi wutong*) were divided between land and persons. In Zizhou County, for example, half

of these fees were levied on land and the other half on persons (*ren tian ge ban*).<sup>2</sup> In some townships in Huaiyang District, Huaizhou City, 40% were levied on people and 60% were levied on land (*ren si tian liu*).<sup>3</sup> In some others in the same district, 30% were levied on people and 70% were levied on land (*ren san tian qi*).<sup>4</sup> Occasionally, some rural taxes and fees were levied on both land and persons. This means that a peasant not only had to pay a head tax, but also had to pay the same fee for the amount of land that (s)he cultivated. For example, in Yongbozhou Village, the core levee fund was levied on both land and people in 2004. Each peasant and each *mu* of land were charged 15 yuan of the fund. Similarly, in the same year, each person and each *mu* of land were charged 5 yuan of the “one issue, one discussion fee” (see table A.10).<sup>5</sup> Obviously, when levied on both land and people, peasants’ tax burden increased. In areas where a peasant owed more than one *mu* of land, such as in Changtang Town, Yuanxiang County, rural taxes and fees were charged on land rather than on persons (see table A.19). In areas where one peasant owed less than one *mu* of land, many rural taxes and fees were charged on people, rather than on land (see tables A.6-7 and A.16). Both were methods for townships and villages to tax peasants more. Some taxes, such as the pig slaughtering tax, were levied on either households or on heads (see table A.3).<sup>6</sup>

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<sup>2</sup> Interviews with peasants, village accountants, and township cadres in villages and townships in Zizhou County, March 2001 and October 2001.

<sup>3</sup> A district of a city that governs a prefecture has the same administrative rank as a county.

<sup>4</sup> Interview with a cadre from Huaiyang District, Huaizhou City, who was assigned to a lake township to carry out the rural tax-for-fee reform in 2001. County cadres in Hunan were sent down to the countryside to carry out this task, which, however, had to be aborted due to lack of funds. Thus, the reform was not implemented in the entire province until 2002.

<sup>5</sup> The “one issue one discussion fee” replaced the three village fees as a result of the rural tax-for-fee reform carried out nationwide in 2002. See chapter 7 for more details.

<sup>6</sup> See “The Pig Slaughtering Tax and the Special Agricultural Product Tax” in chapter 3 for more details.

Before the peasant burden cards were issued in the mid 1990s, individual peasant household was only informed orally of taxes and fees that the household owed to the village and the township, though the village accountant had an account book that detailed the types of taxes and fees and the amount of each type for each peasant household. As a result, it was never clear to peasants exactly what kind of fees they had to pay. Peasants had no record of their burdens either, other than those from their memory. In the mid 1990s, due to widespread peasant protest and riots against heavy taxes and fees, the central and provincial governments required local governments to lower peasant burdens and to issue every peasant family a burden card. Village cadres usually broke down the taxes and fees and entered the exact amount for each type of tax and fee on the burden card. Many of the tables in the appendix came from numbers recorded on these cards.

The burden card covered many, but not all the taxes and fees that a peasant household needed to turn in to local governments. For one thing, the card did not record fines. Neither did it record various funds (*ji zi*), such as the new school construction fund, the new road construction fund, and the core levee fund. Furthermore, it did not record the pig slaughtering tax or the special agricultural tax. Finally, it did not record the numerous fees that students needed to turn in, such as lunch grain, the dilapidated school renovation fee, or the “4, 6, 8,” education fund. This meant that many peasant burdens were not recorded, and the actual peasant burdens were higher than those recorded on the cards.

### **Step Two: Collecting Grain Before 1998**

Calculating peasant burdens and issuing the burden level to individual peasant households was easy. The tough part was collecting grain from peasants. Grain collection in the 1990s could be divided into two periods. Before 1998, in spite of the

vast number of peasants that local governments in Hunan had to deal with, collecting grain was relatively easy. Since 1998, however, it became the “most difficult thing between heaven and earth,” to borrow the phrase from a township cadre.<sup>7</sup> What made 1998 the dividing line were three rural policies issued by the central government that empowered the peasants and constrained local governments.

Each village in Hunan had to collect grain from between several hundred to several thousand peasants. The smallest village in 2002 in Dongxingyuan Town, Yuanxiang County, for example, had 572 peasants, and the largest one had 2,153.<sup>8</sup> The average village in Hunan has more than 1,000 peasants.<sup>9</sup> Each township in Hunan had to deal with tens of thousands of peasants. An average township in Hunan has between 25,000 to 30,000 peasants or more.<sup>10</sup> A very large township in Hunan can have 100,000 peasants and a small one has more than 10,000 peasants.<sup>11</sup> Each county

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<sup>7</sup> Interviews with township and village cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>8</sup> Numbers taken from the table entitled *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County] made by the town in June 2002.

<sup>9</sup> In Huaizhou City which governs six counties, there were 3.61 million peasants and 3,485 villages in 2002. The average village in this prefecture had 1,036 peasants (interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, Oct. 2002 and June 2003). Huaiyang District, Huaizhou City had 300,000 peasants and 205 villages in 2002. The average size of a village in this district was 1,463 (interview with the director of the Finance Bureau of Huaiyang District, April 2002 and interviews with cadres of the Rural Tax-for-Fee Reform Office of the Finance Bureau, Huaiyang District, summer 2004). Dongxingyuan Town, Yuanxiang County had 44,903 peasants and 37 villages in 2002. The average village in this town had 1,214 peasants (interviews in Dongxingyuan Town, October 2002).

<sup>10</sup> For example, there were 62 townships and 2.1 million peasants in Zizhou Prefecture in 2002. The average size of a township in this prefecture in 2002 was 33,870 (interview with the director of the Office of the Finance Bureau of Zizhou City, June 2002). Huaizhou Prefecture had 3,699,200 peasants and 143 townships in 2002. The average size of a township in this prefecture in 2002 was 25,868 (interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, Oct. 2002 and June 2003). Huaiyang District, Huaizhou City had 300,000 peasants and 11 townships in 2004. The average township size in this district was 27,272 peasants (interviews with various cadres in the district, 2001-2003 and summer 2004).

<sup>11</sup> Interviews with township and county cadres in Huaizhou, Sishui, Zizhou, and Yuanxiang, 2001-2003.

has to face hundreds of thousands of peasants and in a few cases, more than a million peasants. For example, the average size of a county in Zizhou City in 2002 was 420,000,<sup>12</sup> and the average size of a county in Huaizhou City in 2002 was 616,533.<sup>13</sup> The largest county in the city had more than 900,000 peasants.<sup>14</sup>

In spite of the vast number of peasants, grain collection was relatively easy before 1998. This was because the state's grain procurement policy before 1998 forced peasants to turn in grain to local governments, no matter how much peasants resented heavy burdens. As a result, grain flowed rather easily from individual peasant households to villages, townships, and counties.

Before 1998, in addition to the agricultural tax which peasants had to turn in to the state with "no money returned," to borrow a peasant phrase, peasants were also assigned a procurement grain quota which they had to sell to the state for a price.<sup>15</sup> Grain stations, however, did not pay peasants directly with cash. Rather, they wrote them a receipt which specified the grade and weight of the grain they had just sold. With this receipt, a peasant went back to his or her village accountant to clear the family's account with the village. (S)he would be paid money if the price of the grain sale were larger than the family's taxes and fees obligation toward the state, the county, the township and the village. Otherwise the peasant had to bring cash to clear the family's account with the village. This way local governments easily collected

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<sup>12</sup> Interview with the director of the Office of the Finance Bureau of Zizhou City, June 2002.

<sup>13</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, Oct. 2002 and June 2003.

<sup>14</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

<sup>15</sup> Peasants in Hunan used the phrase "returning money" (*zhao qian*) rather than "paying money" (*fu qian*) to describe the state's purchase of grain from peasants. Whether or not money was returned was how peasants in Hunan distinguished the agricultural tax and the procurement grain. For peasants, the agricultural tax meant grain with no money returned, whereas the procurement grain meant grain with money returned.

taxes and fees from peasants. Deducting taxes and fees from peasants' grain sale (*daikou daijiao*) enabled local governments to avoid the nightmare of having to knock at the door of individual peasant households and collect taxes and fees from them. This practice, of course, deprived peasants of their ability to bargain with the local government or to resist high taxes and fees on a large scale.

### **Step Three: Grain Flow and Clearing Accounts (*jie zhang*)**

Once grain was collected, it was then distributed among counties, townships, and villages. Similar to the fiscal system, the severe downward fiscal pressure also existed in the distribution of rural taxes and fees, many of which belonged to extra-budget, among counties, townships, and villages. Through a practice called "clearing accounts," a county's financial need triumphed over that of a township, which then triumphed over that of a village. Peasants, located at the very bottom of the society, having nobody to exploit, had to resort to either "exit" (Hirschman 1970) or to rebel.<sup>16</sup>

As mentioned above, a peasant cleared his or her account with a village accountant with a receipt from a grain station, which (s)he received after selling grain. If a peasant did not turn in the full amount of taxes and fees in a particular year to his or village accountant, (s)he then owed villages and townships rear taxes and fees (*wei qian*). A village also needed to clear its account (*jie zhang*) with its township each year at a fixed date stipulated by the township, which was usually set in August after the early crop (*zao dao*) was harvested. Clearing accounts, in this case, simply meant a village collective (*cun jiti*) turning over all the taxes and fees that its township needed to collect from it, which included the agricultural tax, five unified fees, special

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<sup>16</sup> Peasants "exited" villages through abandoning their farmland and migrating to cities.

agricultural tax, pig slaughtering tax, irrigation grain, the core levee fee, and whatever taxes and fees that a township had assigned to its villages.

Table 4.1 compares the amount of taxes and fees that villages in hilly and lake areas in Hunan needed to collect in order to clear their accounts with their townships. Since the agricultural tax did not vary in different topographies, it is not included in column three, "Clearing-Accounts Amount." Quanshi and Tongqiao Villages are located in hilly Zizhou County. So is Dongxingyuan Town of Yuanxiang County. Hetang, Lijiamiao, and Yongbozhou Villages are all located in Huaiyang District, a lake county. Yongbozhou Village is located in a particularly low-lying lake township in the district. Its farmland not only requires unified drainage (*tong pai*), but also unified irrigation (*tong guan*). As a result, its common production fees are extraordinarily high.<sup>17</sup>

The table shows that in the second half of the 1990s when peasant burdens were high, excluding the agricultural tax, the amount of taxes and fees that a typical village with more than 1,000 peasants in a hilly area (Dongxingyuan 1998) needed to turn over to its township was significantly less than 100,000 yuan a year. A small hilly village with fewer than 1,000 peasants (Quanshi, 1999-2001; Tongqiao, 2000) needed to submit fewer than 50,000 yuan a year. The number for lake villages (Hetang, 2001; Lijiamiao, 1995), however, was more than 100,000 yuan a year in the second part of the 1990s and beyond.<sup>18</sup> During this period, a lake village almost had to submit twice as many taxes and fees to a township as a hilly village.

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<sup>17</sup> See chapter 3 for a clarification of the concept and for various common production fees that peasants in Hunan had to pay.

<sup>18</sup> To make it easier to compare, the price of one kg of grain was assumed to be equal to 1 yuan. I am not trying to provide an exact number here, for I doubt whether it is possible even to know the exact burden level of one single peasant household because different records held by peasants, village accountants, and townships usually showed different numbers. All I want to do here is to convey a rough sense of the burden level of villages in different topographies in Hunan.

**Table 4.1: Village Clearing-Account Amounts Compared (unit: yuan, kg)**

Village Name	Year	Clearing-Accounts Amount (unit: yuan and kg)	Land Size (unit: mu)	Population
Quanshi	1999	41,132	737	672
Quanshi	2000	39,133	737	680
Quanshi	2001	39,054	737	680
Tongqiao	2000	47,409.5	1,136	865
An average village in Dongxingyuan Town	1998	59,204	1,275	1,227
Hetang	2001	101454.9 (84,230.9 +17,224 kg)	1,368	1,910
Lijiamiao	1995	106,129.1 (58706.1+47,423 kg)	1,154	1,387
Lijiamiao	1993	61,522 (27685+37,837 kg)	1,165.6	1,370.5
Yongbozhou	2001	376,000	3,268	1,538

Sources: Numbers compiled from tables 1, 16, 27 in the appendix. The Dongxingyuan number came from the table entitled *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County] made by the town in June 2002.

In the early 1990s, when peasant burden level was much lighter than that in the second half of the 1990s, the amount of taxes and fees collected by a township from a lake village (Lijiamiao, 1993) was similar to the amount collected by a township from a typical hilly village in the second half of the 1990s (Dongxingyuan, 1998). In particularly low-lying lake townships (Yongbozhou, 2001), peasant burdens were extremely high. The amount of taxes and fees that a village in such an area needed to turn over to its township was almost four times as large as the amount in a regular lake village and more than six times the amount of a hilly village in the same time period. As explained in chapter 3, peasant burdens in lake areas were significantly higher than

those in hilly and mountainous areas due to extraordinarily high common production fees in lake areas.

Only after a village had turned over the township portion of the taxes and fees, which also included the county and the state portion, could it keep what was left for village levies. If a village did not turn in the full amount of the township portion, for example, if it only turned in 70% of the taxes and fees, its account with the township was not cleared. Under this situation, the village owed the township taxes and fees.

Just as villages needed to turn over the township portion of rural taxes and fees to townships, townships also needed to clear their accounts with counties. After receiving taxes and fees from villages, townships first needed to ensure that the county's portion was turned over. Specifically, a township needed to turn over all the taxes to a county, including the full amount of the agricultural tax, the special agricultural product tax, and the pig slaughtering tax to its county. In the late 1990s, a township also needed to submit two of the five unified fees to a county, which included the education surcharge and the militia training fee. Whatever taxes and fees that were unified at the county level worked as a quota, which meant that townships had to turn over the full amount even if they could not collect as much from peasants.

Townships did not have to turn over any of the five unified fees to a county until 1995, the year when rural districts were abolished and when small townships were consolidated into big ones. Since 1995, a township needed to turn over the militia training fee to the Department of Arms (*wuzhuangbu*) in a county. Before it was abolished, a rural district used to train militias for the several townships that it governed. Each township brought the militia training fee to its rural district when their militias were being trained. When the rural district was abolished, the Department of Arms in a county started training a militia for the entire county, for there were not

enough militiamen in an individual township.<sup>19</sup> As explained in chapter 3, townships were relieved of the burden of paying for teacher salaries in the late 1990s, so they needed to turn over the education surcharge to the Education Bureau of a county. As a result, since the late 1990s, actually only three of the five township unified fees were the revenue of a township.

Finally, a township also needed to clear its accounts with some of its agencies, as a township collected many fees on the agencies' behalf. A township needed to turn over the common production fees to its water management agencies and other fees that it collected for the agencies, such as the agricultural technology fee and the animal immunization fee, fees that did not belong to a township government. Townships, however, very often used these fees for other purposes, such as to fulfill the agricultural tax quota issued by a county or to pay back some of its huge debts. As a result, in the late 1990s, many townships owed their reservoirs and water management stations money. For example, many townships within the Shaoshan Reservoir, which irrigates farmland in three counties, owed the reservoir water fees. One township alone owed hundreds of thousands of yuan.<sup>20</sup> In Fenglin District, Huaizhou City, where most townships collected water fees on behalf of reservoirs and water management stations, more than 40% of the water fees were used up by townships. Quite a few townships used the fee to fulfill the agricultural tax quota.<sup>21</sup>

All rural taxes and fees were collected by village cadres, with the help of township cadres. For village cadres, these township taxes and fees worked as quotas or

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<sup>19</sup> Interviews with rural cadres in Yuanxiang, Zizhou, and Huaizhou, 2001-2003.

<sup>20</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>21</sup> *Huaizhou shi Fenglin qu shuili xitong duiwu jianshe qingkuang diaoyan baogao* [A fieldwork report on the situation of cadres and staff of the water management system of Fenglin District, Huaizhou City], a 16-page report written by the Irrigation Bureau of the Fenglin District in 2003 (interviews with cadres in the bureau, summer 2004).

tasks (*ren wu*) that they were obliged to fulfill. Similarly, for township cadres, the county portion of the rural taxes and fees also worked as a quota. If villages or townships could not collect as many taxes and fees as the quota dictated, they had to borrow money to cover the difference and to clear their accounts. This practice reflected the impact of the nature of the political system on inter-governmental relations. Because higher levels of government determined the promotion of lower level cadres, it was in the interest of a township government to borrow money to turn over taxes and fees to a county government so that the latter's financial need was met first. Village cadres, unlike township cadres, were not state employees and did not receive county salaries. Further, village cadres, other than the village party secretary, were elected by peasants rather than appointed by townships or counties. In spite of these differences, village committees behaved very much like township governments when it came to collecting taxes and fees and turning them over to higher levels of government. This was partly because the interests of village cadres aligned more with the government than with peasants, as the government controlled possible promotions and many more resources than peasants.

For peasants, rural taxes and fees meant burdens for them or money taken away from them by their villages and local governments. For village collectives and townships, on the other hand, rural taxes and fees functioned as quotas that they had to turn over to higher levels of government. Thus, peasants called tax and fee burdens (*fu dan*), whereas villages, townships, and counties called them tasks (*ren wu*).

## **Part II: Things Fall Apart**

The entire grain collection and distribution process depended on peasants willingly or being coerced into turning in their grain and money. Before 1998, most peasants did that. There were two reasons. First, they needed to sell procurement grain

to the state and rural taxes and fees were automatically deducted from their grain sale. Second, local governments did not shy away from using violence and oppression to force peasants to turn in taxes and fees. Peasants indeed rioted and protested against heavy taxes and fees as early as in 1993.<sup>22</sup> However, these protest and riots were limited to rural pockets. Overall, peasants were in a weak position to resist heavy taxes and fees. As a result, local governments were able to use brutal methods and extract a large amount of money from peasants each year.<sup>23</sup>

### **1998 Policies and Their Impact**

Since 1998, largely due to three central policies that empowered them, peasants stopped automatically turning in grain to the state. As a result, the grain flow from peasants to local governments was cut, so the entire rural public finance system in Hunan crumbled. Facing a grain sector that had piled up dozens of billions of yuan of debt nationally,<sup>24</sup> local yet widespread peasant riots and protests against heavy burdens, and crumbled rural public projects, Zhu Rongji, who became the premier in 1998, decided to reform the grain circulation system (*liangshi liutong tizhi gaige*). Three policies transformed rural politics in Hunan dramatically and contributed to widespread peasant resistance against heavy taxes and fees. Also shaken was the foundation of rural public finance in Hunan, as it cut off the grain flow from peasants

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<sup>22</sup> The earliest case of organized peasant protest reported by media was the Renshou protest in Sichuan province. See Pan Wei (2003). The first round of peasant protests in Qinggang City in central Hunan analyzed in chapter 6 also started in 1993. Small-scale peasant protests against heavy burdens may have started as early as 1991 or 1992 in Hunan. Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>23</sup> Though local governments extracted taxes and fees from peasants through procurement grain sales, peasant burdens were so heavy up until 1998 that the grain sale was not enough to cover all their taxes and fees. As a result, local governments needed to collect a portion of the rural taxes and fees through collecting fees from individual peasant households.

<sup>24</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

to local governments. Because grain, rather than cash, had always been what most peasants used to pay their local taxes and fees, the stoppage of the grain flow deprived local governments of the revenue that they relied on so heavily.<sup>25</sup>

First, in 1998, the central government abolished the procurement grain quota and thus relieved peasants of the obligation of selling grain at a fixed price to the state. Peasants stopped bringing grain to grain stations (*song liang*) after harvest, a habit that they had formed during decades of procurement grain collection. They still needed to pay the agricultural tax in kind to the state, which was significantly lighter than the procurement grain quota. However, they did not have to bring grain to a grain station on their own to pay their agricultural tax. Rather, rural cadres needed to visit individual peasant households to collect the tax. Peasants could still sell grain to grain stations, but they did not have to. As peasants stopped automatically bringing grain to grain stations after harvest, village and township cadres had to knock at the door of each and every peasant household to collect taxes and fees, with a scale and a sack in hand.<sup>26</sup> This was a mammoth project, for the simple fact that Hunan has dozens of millions of peasants. Even a tiny village in Hunan with fewer than 1,000 peasants has at least dozens of households. An average village with more than 1,000 peasants has several hundred households. This made the job of collecting taxes and fees tremendously difficult for village and township cadres, as can be seen from the following comments made by peasants and local cadres.

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<sup>25</sup> I collected data on the three central policies in 1998 through interviews with peasants and local cadres in several counties and cities in northern and central Hunan, including Huaizhou, Zizhou, Yuanxiang, Jianglu, and Sishui from 2001-2003.

<sup>26</sup> This was a phrase used by village cadres. A scale (*cheng*) was used to measure the weight of grain and a sack (*ma bu dai*) was used to store the grain.

Before 1998, every family in the village brought grain to grain stations. Since then, gradually people have stopped doing that. Nowadays nobody brings grain to grain stations anymore in our village.<sup>27</sup> (A peasant in Zizhou County, 2001)

Before 1998, peasants had no choice (but to turn in taxes and fees). (Since then), now that they (village and township cadres) have to ask us for money, this has indeed made some difference.<sup>28</sup> (Peasants in Yuanxiang County, 2002)

Before 1998, grain collection created no problem whatsoever. Ninety-nine percent of peasants turned in their taxes and fees. Thus, there were almost no rear taxes or fees then. I started working in this town in 1996. In 1996 and 1997, in order to collect grain, all that town cadres had to do was to organize a meeting and announce a date when all villages had to clear their accounts with the town. All villages did that, even though peasant burdens were heavier before 1998. Why did peasants bring grain to grain stations before 1998? First, they had formed this habit. Second, the state required them to do that... After 1998, however, peasants no longer had the obligation to bring grain to a grain station. They all knew this policy. Thus cadres had to knock at their doors and collect them.<sup>29</sup> (A town cadre in Yuanxiang County, 2002)

Second, the central government also forbade grain stations to deduct any taxes and fees when peasants sold grain to grain stations. Before 1998, peasants were not paid cash when they sold procurement grain to the state. Instead, they got a receipt from a grain station, which they used to clear their accounts with their villages. After 1998, peasants were paid cash when they sold grain. They were encouraged to pay taxes and fees on their own with the cash they just received.<sup>30</sup>

Third, the central government abolished many rural taxes and fees and lowered others. A peasant household's total annual taxes and fees were capped at no more than

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<sup>27</sup> Interviews with peasants in a village in Qingpu Town, Zizhou County, 2001.

<sup>28</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>29</sup> Interview with the director of the Rural Tax-for-Fee Reform office of Dongxingyuan Town, Oct. 2002.

<sup>30</sup> Some counties, for example, Yuanxiang County, only carried out this central policy for a year or two. After that they continued to deduct taxes and fees from peasant grain sales because some peasants would never pay taxes and fees on their own, according to local cadres. However, this only relieved the financial woes of local governments a little bit, as peasants had stopped selling grain to grain stations and rural cadres had to collect taxes and fees from each peasant household.

5% of its net income in 1997. Neither could taxes and fees exceed the level in 1997.<sup>31</sup> Many fees were abolished, such as the new school construction fee and the irrigation project fee. Random fines and funds levied on peasants, such as the new road construction fund, were also abolished. While emphasizing that the peasants needed to turn in reasonable taxes and fees, for the first time, the central government gave peasants the right to resist unreasonable burdens and the right to examine village accounts (*cha zhang*).

These three policies had a profound impact on the collection of rural taxes and fees. They empowered peasants and encouraged large-scale protests against heavy burdens in many places in Hunan. The Changtang and Cangyuan protests in Yuanxiang County, which will be analyzed in the next chapter, for example, reached their peak in 1998. Peasants in many villages demanded to be allowed to examine village account books (*cha zhang*), to stop paying unreasonable taxes and fees, and to link their payment of taxes and fees with eradicating village corruption.

More importantly, the three policies created opportunities for individual peasants to bargain with rural cadres about whether and when they would turn in taxes and fees and how much. Peasants carried out all kinds of bargains with rural cadres. Many refused to pay because cadres did nothing useful for them and only visited them

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<sup>31</sup> Interviews with peasants and rural cadres in northern and central Hunan, 2001-2003. See also “Zhonggong zhongyang bangongting guowuyuan guanyu qieshi zuohao dangqian jianqing nongmin fudan gongzuo de tongzhi” [A notice from the office of the Central Committee of the Chinese Communist Party and the office of the State Council on truthfully carrying out the task of lowering peasant burdens]” issued on July 21, 1998 in *Jianqing nongmin fudan zhengce fagui xuanbian* [A compilation of policies and laws on lowering peasant burdens] (Beijing: Zhongguo fazhi chubanshe, 1999). I got hold of the book from several peasants who were petitioning the Permanent Committee of the People’s Representatives (*renda changwei*) of Sishui City about heavy burdens in 2001. The central government issued the 5% rule as early as in 1991 in “Nongmin chengdan feiyong he laowu guanli tiaolie” [The administrative rules on fees and labor services shouldered by peasants], which the State Council promulgated on Dec. 7, 1991. This policy is also included in *Jianqing nongmin fudan zhengce fagui xuanbian* [A compilation of policies and laws on lowering peasant burdens]. The 5% rule in 1991 contributed to the Renshou protest (Pan 2003, 111). However, when I carried out my fieldwork from 2001-2003, the 1991 rule had faded from peasants’ memory. It was the 1998 5% rule that became the cause of peasant resistance to heavy burdens.

when it was time to collect taxes and fees. Some told the cadres that their grain was not dried yet. Some asked cadres to collect grain during the fall harvest time in October, rather than during the summer harvest time in July or August. Some simply said that they were too poor to pay. Some were only willing to pay the agricultural tax, but no more, since they considered the agricultural tax to be the “imperial grain and the state tax” (*huang liang guo shui*), whereas all other taxes and fees were illegitimate because they were wasted by townships and villages. To get even the agricultural tax, according to many peasants, local cadres would have to come to their houses and collect them (*shou liang*), for peasants refused to bring grain to a local grain station (*song liang*) on their own.

Some were only willing to pay reasonable taxes and fees, but not unreasonable ones, insisting on their own rights rather than the right of the local governments to interpret what was reasonable and what was unreasonable. For example, it was unreasonable to ask peasants older than 70 to pay the family planning fee. It was equally unreasonable to ask babies to pay fees levied on heads, such as the road construction fund, the new school construction fund, and the core levee fund (*dadi fei*). Many refused to pay taxes and fees because they did not receive any service in return. For example, many peasants refused to pay the irrigation grain or rural road construction fee, for they did not receive a penny from their townships when their villages needed to build a road or strengthen ponds. Many refused to pay for multiple collections, particularly with education fees and common production fees.

Some argued that they would not pay their taxes and fees because fellow villagers had not paid theirs for years. In villages where peasants deposited money in the two rural funds that had collapsed, peasants deducted their savings deposit from their tax and fee obligation toward the local government. Peasants and rural cadres also debated over whether peasants had the right to deduct wages that a village owed

to peasants from the taxes and fees that peasants owed to villages and townships. Many peasants insisted that they had the right to do so, whereas villages and townships insisted that they did not. Some were willing to pay a portion of the taxes and fees of the current year, but not rear taxes and fees for the simple reason that they had accumulated so many rear taxes and fees that they could no longer afford them. Many peasants linked their payment of taxes and fees with cadres solving their concrete problems, such as a bad quarrel with a neighbor over land or a policy benefit that a peasant was supposed to enjoy but could not. Some refused to pay if they felt they were wronged by village and township cadres. When corruption scandals broke out in a village, many more peasants became united in their refusal to pay taxes and fees.

All in all, the three policies enabled individual peasants to carry out effective “soft resistance,” such as shutting their door when they saw cadres coming by, bargaining with cadres, and refusing to pay no matter how many times the local cadres visited their homes.<sup>32</sup> Essentially, if rural cadres did not succeed in collecting grain when it was still being dried on a grain-drying pavement (*shai gu ping*), grain collection became a tug of war between peasants and cadres. It was easiest to collect grain when it was still being dried up outside a house on a grain-drying pavement during the harvest season. Once grain was put away in the granary inside their homes, it became much more difficult to make peasants open their granaries and allow cadres to haul away their grain. Thus, the two weeks after the early crop (*zao dao*) or the summer crop was harvested in July and the two weeks after the late crop or the fall crop (*wan dao*) was harvested in October, when most peasants were still drying their

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<sup>32</sup> “Soft resistance” (*ruan de duikang*) was the phrase that a township cadre used to describe the peasants’ refusal to turn in taxes and fees. It conveys the same idea as James Scott’s everyday forms of resistance. See Scott (1985).

grain, became the most crucial time for grain collection. Though grain collection could happen any time during a year, village and township cadres' grain collection efforts were most intensive during these two periods. The date when villages need to clear their accounts with townships was also set in August when the early crop was harvested. The date itself actually created a big problem for village cadres. The early grain was cheaper than the late grain and the yield of the early grain was lower than that of the late grain. Peasants also preferred to use the early rather than the late grain to feed their pigs. As a result, peasants all wanted to pay their taxes and fees with the late grain, which would not be harvested until October. This meant that on the clearing-account date in August, many villages in Hunan had only collected a small percentage of taxes and fees, so village cadres had to borrow money to clear their accounts.<sup>33</sup>

### **The Collection Rate Plunged**

Grain collection thus became a prolonged bargaining process and a tug of war between peasants and local cadres. Peasants started to owe villages and townships large amounts of money, a phenomenon known as rear taxes and fees (*wei qian*). The collection rate dropped from almost 100% before 1998 to 70-80% for the agricultural tax. The collection rate for taxes and fees other than the agricultural tax after 1998 was significantly lower. According to one cadre in Liugongwan Township, the collection rate between 1998 and 2001 for these taxes and fees plunged to 20-30%.<sup>34</sup> The collection time increased from a few weeks to a few months or even the entire year, now that cadres had to use persuasion and bargain with each peasant household about

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<sup>33</sup> Interviews with village cadres in Zizhou County and Yuanxiang County, 2001-2002.

<sup>34</sup> Interview with the accountant of the Finance Office of Liugongwan Township, Huaiyang District, April 2002.

taxes and fees. The manpower required during grain collection also skyrocketed. In the past, grain collection in a township involved only a few cadres. For example, in the 1950s, it only took three township cadres about one month to collect all taxes and fees from a township with 15,000 peasants. According to a township cadre:

When we collected grain, it only took three people (to do it), which included the director of the township (*xiangzhang*) who was in charge of grain collection, one finance and economics secretary (*caijing mishu*), and one clerk hired by the county for a month who kept records, entered data, and wrote notices. At that time, grain collection was very simple. There was no fine, no this or that fee...All the agricultural tax had to be turned over to the county...so did the 3% agricultural tax surcharge. The township had no right to use it. It was only in charge of collecting the tax. The tax rate was significantly lower then.<sup>35</sup>

On the other hand, in the 1990s, particularly since 1998, every village and township cadre, several hundred cadres in all, had to participate in collecting grain from each township. Each cadre was assigned a quota, and even county cadres were involved. In the late 1990s, all cadres and civil servants in a county with relatives in the countryside, several thousand in all, were given two weeks of a harvest break in August to help township and village cadres collect grain. To collect grain from rebellious villages, counties sometimes organized large grain collection work teams consisting of several hundred county cadres, but even that was not enough. Township and village cadres had to continually hire helpers to collect grain. Grain collection became the number one task of village and township cadres, consuming most of their time and energy. Even peasants, who otherwise thought that their village cadres got paid for doing nothing, agreed that collecting grain was not easy.

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<sup>35</sup> Interview with a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

## Rear Taxes and Fees

As a result of these three policies in 1998, the rural financial system that was based on heavy taxes and fees on peasants started to crumble. Before 1998, in spite of the heavy burdens, the peasants' refusal to pay taxes and fees was constrained to areas where peasants had succeeded in organizing protests against them. Though peasant protest was widespread in the 1990s, it was still limited to rural pockets. After 1998, however, it became very hard for villages and townships to collect grain. Peasants started to owe large amounts of taxes and fees to villages and townships. Each year since 1998, in almost every village there were peasants who refused to pay part or even all of the taxes and fees. Taxes and fees that peasants should have paid to their villages and townships but stayed in their own pockets were known as "rear debts" or "rear taxes and fees" (*weiqian*). In a village, these could accumulate rapidly in just a few years.

Peasants in most villages in Hunan owed large amounts of rear taxes and fees. For example, in Sishui City where peasant burdens were high and where many peasants had abandoned their farmland and migrated to cities, by 2001 peasants in its 427 villages had accumulated a staggering amount of 150 million yuan of rear taxes and fees toward the local government. On average, peasants in each village in this county owed 351,288 yuan by 2001,<sup>36</sup> and peasants in each township in this county owed several million yuan. In Beixiaozhou Town, peasants owed 6.5 million yuan of rear taxes and fees by 2001.<sup>37</sup> The amount of rear taxes and fees in each village and each township in this county in a few years was equivalent to several years of the total amount of taxes and fees to be collected from peasants.

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<sup>36</sup> Interview with several cadres in the Economic Management Bureau of Sishui City, Jan. 2002.

<sup>37</sup> Number taken from *Guanyu woshi nongcun shuifei gaige de qingkuang diaocha* [A report on the rural tax-for-fee reform in Sishui City] written by the Agricultural Taxes Office of the Finance Bureau of Sishui City in 2001.

In hilly and not so low-lying lake villages, the amount of rear taxes and fees was significantly lower than the level in Sishui. However, even here it was common for a village to accumulate tens of thousands or more than 100,000 yuan of rear taxes and fees. For example, peasants in Lijiamiao Village, Liugongwan Township, Huaiyang District, a lake village, owed more than 100,000 yuan of taxes and fees by 2001.<sup>38</sup> Peasants in Yongbozhou, another lake village in Huaiyang District, owed more than 80,000 yuan of rear taxes and fees. Peasants in Zhutian Village, a hilly village, owed more than 70,000 yuan of rear taxes and fees by 2002.<sup>39</sup> Table 4.2 shows the amount of rear taxes and fees in two hilly villages in northern Hunan. Tongqiao is located in Zizhou County and Jinhu is in Yuanxiang County. Both are small villages.<sup>40</sup> Note that the number for village Tongqiao was the amount of rear taxes and fees that the village accumulated in that year, whereas the number for village Jinhu was the total amount of rear taxes and fees in that year, which included rear taxes and fees from previous years.

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<sup>38</sup> Interviews with village cadres and a township cadre in Lijiamiao Village, Liugongwan Township, Huaiyang District, Nov. 2001.

<sup>39</sup> Interview with the village accountant in Zhutian, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>40</sup> Jinhu Village had 929 people and 808 *mu* of farmland in 2002. Tongqiao Village had 865 people and 1,136 *mu* of farmland in 2000.

**Table 4.2: Rear Taxes and Fees in Two Hilly Villages in Hunan (unit: yuan)**

Year	Village Tongqiao in Qingpu Town	Village Jinhu in Dongxingyuan Town
1997	3,533.55	0
1998	43,719.2	5,000
1999	54701.15(4072.87 agricultural tax+50628.28 others)	>10,000
2000	n/a	>20,000
2001	n/a	>30,000, almost 40,000
Total Rear Taxes and Fees	101,953.9	

Sources: Interviews with village cadres in Zizhou County and Yuanxiang County, 2001-2002.

The quick accumulation of rear taxes and fees was largely because of what local cadres called the “domino effect” or “flu effect” of one peasant family not paying its dues.<sup>41</sup> Once a peasant family started to default or postpone payment of taxes and fees, it had a contagious effect on other peasants in the same village. If one peasant family could get away with not paying taxes and fees, other peasants followed suit. In the words of a rural cadre, “This was just like the domino effect. When one fell down, the rest all collapsed.”<sup>42</sup> The “flu effect” could be seen clearly in Jinhu Village (see table 4.2), where the amount of rear taxes and fees doubled each year since 1998. By 2002, the year when the rural tax-for-fee reform was carried out in 16 provinces, some peasant families owed their local governments four or five years of rear taxes and fees, totaling a few thousand yuan for one peasant’s family. Once a family became so indebted to the local government, it became impossible for it to pay back all the rear taxes and fees.

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<sup>41</sup> A young town cadre, a college graduate, used the domino effect metaphor, whereas the village party secretary, a peasant, used the flu effect metaphor. Interviews with village and town cadres in Dongxingyuan Town, Oct. 2002.

<sup>42</sup> Ibid.

Some villages, where peasants and village cadres were on very bad terms, could not even collect the agricultural tax (*nongye shui*), long considered a peasant's legitimate tax obligation toward the state, for it was the "imperial grain and the state tax" (*huangliang guoshui*). For example, in two villages in Liugongwan Township, ever since a peasant died during grain collection, cadres and peasants engaged in years of conflict at both high and low levels. Township cadres could not and did not expect to collect taxes and fees from peasants there. "In these two villages, there is no way for cadres (*gan bu*) to collect even the agricultural tax. When cadres go to their houses, the masses (*qun zhong*) would simply say: 'I am sorry, but I do not have any money. I cannot borrow any money from my neighbors either, since they also have little money.' When they see village and township cadres coming, they immediately lock up their doors and go out. They carry out soft resistance."<sup>43</sup> Some teams or villages could succeed only in collecting the agricultural tax, but no more. For example, in a team in Hetang Village, Wangyuting Town where peasants had been fighting with rural cadres over heavy burdens, both legally and with their fists, most of the 50 households in the team had not turned in any taxes or fees other than the agricultural tax since 1998.<sup>44</sup>

### **Good vs. Bad Villages in Terms of Grain Collection**

The grain collection rate depended on three factors, including topography, migration to cities, and cadre-peasant relationships. In general, it was much harder to collect taxes and fees in lake areas than in hilly and mountainous areas, because lake

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<sup>43</sup> Interview with a vice director in charge of finance and commerce in Liugongwan Township, Jan. 2005.

<sup>44</sup> Interview with a middle school teacher who engaged in a lengthy and costly legal fight with his village and town over peasant burdens, Wangyuting Town, Huaizhou Prefecture, spring 2002. Before 1998, the burden level in this village was about 180 yuan per person, which was very high.

areas had the highest burden level due to high common production fees, which had caused peasants from lake areas to migrate to cities en masse. This migration made it very hard to collect rural taxes and fees, for nobody was at home. The migration rate of peasants in lake areas in Hunan was startling. For example, in a team in a village in Sishui, only 3.5 laborers were cultivating land at home in 2001. The rest were all working odd jobs in cities.<sup>45</sup> The number of peasants in an average team in Hunan ranged from dozens to more than 200. In Huxian, another lake county in Huaizhou City, a huge amount of farmland was abandoned because many peasant families had migrated to cities. Unlike the hilly areas where the old and the young tended to stay at home, entire families from lake counties, from the old to the young (*dada xixi*), migrated to cities.<sup>46</sup> Thus, the amount of rear taxes and fees in lake villages and townships tended to be the largest.

In Hunan, peasant migration to cities was not limited to lake areas. It was universal. For example, in Pingyuan, a mountainous county in Huaizhou, out of more than 900,000 peasants, over 200,000 were working in cities, not for the short but for the long term (*changqi zaiwai*). All those who migrated were laborers in their prime (*qingzhuang laoli*). All those staying on were old and frail peasants (grandparents) and children (grandchildren). Migration to cities en masse made it very hard to collect rural taxes and fees, since the heads of the households were all gone.<sup>47</sup>

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<sup>45</sup> The number was indeed 3.5, rather than 4 or 3. It was possible that a certain category of peasants, such as a very old male peasant or a middle-aged woman was counted as half a laborer, rather than a full one. The number was taken from *Sishui shi nongcun feigaishui diaocha qingkuang huibao* [An investigative report on the rural tax-for-fee reform in Sishui City], which was written by the Bureau Office and the Agricultural Taxes Office of the Finance Bureau of Sishui in June 2001.

<sup>46</sup> Interviews with peasants and rural cadres in Sishui and Yuanxiang, 2001-2002.

<sup>47</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

Cadre-peasant relations were generally confrontational in Hunan and the overall trend in the late 1990s was widespread peasant refusal to pay taxes and fees. However, within this general pattern, there was a significant amount of variation among villages. Cadre-peasant relationships could be categorized as either “good” or “bad.”<sup>48</sup> Though rare, some “good” villages indeed could fulfill almost 100% of the taxes and fees. Some others, however, could not even collect the agricultural tax, the very minimum of rural taxes and fees, long considered to be the “imperial grain and state tax” and peasants’ indisputable duty toward the state. Most villages lay in between. There were two types of “good villages.” In the first, village cadres were also successful entrepreneurs who owned private factories and employed peasants. In the second, village cadres were generally on good terms with peasants and worked tirelessly to collect grain. They began work at eight in the morning and did not get home until four or five in the afternoon.<sup>49</sup> Either situation, though, was rare in the countryside.

Those “bad villages” were places where peasants and cadres had been engaging in serious conflicts over grain collection for years. These villages also fell under certain categories. The first type included villages where peasants had engaged in open and organized protest over heavy burdens, as will be discussed in chapters 5 and 6. The second type was villages where “bloody peasant incidents” (*xuening anjian*) happened when the grain collection process either became very

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<sup>48</sup> The terms “good” and “bad” were categories used by both rural cadres and peasants to describe how successful a village was in collecting grain and how much money or how many assets a village collective had. It had nothing to do with how rich or poor individual peasant households were. For example, a village could have quite a few millionaires or successful private businesses but still be categorized as bad if the village collective did not have money and village cadres could not collect sufficient taxes or fees from peasants.

<sup>49</sup> Interviews with village and town cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

confrontational or when cadres used so much force that peasants died.<sup>50</sup> In many cases, peasants drank pesticides and died, or drowned themselves in ponds to protest heavy burdens and fees, or they were beaten to death by township officials. A peasant's death usually led to a swift yet short-lived riot involving mostly fellow villagers and the victim's relatives, which commonly ended when townships agreed to compensate the victim's family with money. Whenever a peasant died in grain collection, his or her fellow villagers became enraged. The relationship between the peasants and cadres became poisoned and cadres dared not to use too much force to collect grain from the village and nearby villages for years, for fear of another incident. Bloody peasant incidents happened in almost every county in Hunan in the 1990s and beyond, ranging from northern lake and hilly counties to southern mountainous ones. The third type of villages included those where peasants had a reputation of being unruly, prone to engaging in tax riots, and particularly tough to crack. Unlike the first type, in these villages, the local government could not identify clearly a peasant protest leader who advocated burden reduction and mobilized peasants. Rather, the hostility built up through years of low-level conflicts with rural cadres. Through contagious effect, the entire village, rather than just some families, refused to turn in taxes and fees. In the fourth type of "bad villages," some figures did emerge who fought to lower peasant burdens through legal and other means. However, unlike the type one village, they did not succeed in mobilizing a large number of peasants. In all of the aforementioned types of villages, it was very hard for local cadres to collect grain.

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<sup>50</sup> Brutality and cruelty were present in both cases. The difference was that in one case peasants committed suicide and in the other they were tortured to death.

## **Frustration of Local Cadres over Grain Collection**

The peasants' "soft resistance" and open protest made grain collection difficult, time-consuming, and highly contentious. As rear taxes and fees piled up, the pressure on local cadres to collect them also accumulated. Local cadres had to collect taxes and fees for three reasons, no matter how contentious collection could be. First, village governances were completely financed by fees collected from peasants, whereas township governments were almost exclusively financed by taxes and fees collected from peasants. Whether or not village and township cadres received salaries depended on whether they could collect enough of these taxes and fees. Second, whether the major township leaders, including the township party secretary and its director could be promoted to county level cadres also depended on whether they could fulfill all the tax quotas issued by a county, as the tax issue carried with itself a veto power. Finally, taxes and fees functioned as quotas on all village and township cadres. If cadres could not collect enough taxes and fees from peasants, they had to come up with their own money in order to turn over the portion of taxes and fees that counties had to collect from the peasants.

Local cadres, however, lacked effective ways to deal with the peasants' soft resistance. Constrained by central policies which forbade local cadres to use force to collect taxes and fees from peasants, local cadres complained bitterly about how the "seven forbids" (*qi ge jinzhi*) and the "eight must-nots" (*ba ge buzhun*) issued by the central government deprived them of any forceful means to deal with recalcitrant peasants who had been accumulating large amounts of rear taxes and fees. These rules made it an administrative offense for local cadres to engage in robber-like behavior while collecting grain from peasants. Local cadres needed to reason with peasants, not to beat them, scare them, or take away their property without their permission. Finally, according to local cadres, Chinese laws did not ensure that peasants fulfill their tax

duty toward the state and the local governments, as peasants who accumulated large amounts of rear taxes and fees violated neither the penal code (*fan fa*) nor the “Rules on Administering Public Security” (*zhi an guanli chufa tiaolie*).

The following comment from a village party secretary was representative of the frustration that local cadres felt about grain collection. It also demonstrated that rural cadres, unlike cadres at higher levels, advocated force and oppression in dealing with peasants who refused to fulfill their tax obligations toward the state:

Villages whose peasants owe tens of thousands of yuan of rear taxes and fees or 100,000 yuan are common. Some owe even hundreds of thousands of yuan. Yet there is no good and hard policy to force peasants to turn in their taxes and fees. We cadres are only allowed to carry out thought work (*sixiang gongzuo*) toward the masses, hoping that they would understand (the importance of turning in taxes and fees). In the end, many peasants do understand. However, there are quite a few who do not and who have accumulated rear taxes and fees for two years, three years, and five years. They owe (the local government) more and more taxes and fees year after year. One peasant asks himself, “Why should I turn in any taxes and fees if others owe five years of taxes and fees?” ... We (rural cadres) cannot use force. We cannot arrest peasants. We cannot beat them up. We are only allowed to talk to them as gently as a breeze and a drizzle (*hefeng xiyu*).<sup>51</sup> However, if we talk to a peasant too much, he refuses to listen to us. He does not give any damn attention to us! Some policies are just too soft toward those peasants who refuse to pay their taxes and fees. I have carried out numerous thought works. I have talked to them patiently. I am almost coughing up blood from so much talk and they still do not pay any damn attention to you. For some peasants, even if you went to their home every day, slept with them in the same bed (*kun zai yiqi*),<sup>52</sup> ate with them at the same table (*chi zai yiqi*), or if we invited them to our house to eat, they would still refuse to pay taxes and fees... The government has to come up with some forceful methods and policies about these peasants.<sup>53</sup>

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<sup>51</sup> *Hefeng xiyu* is a Chinese idiom.

<sup>52</sup> This does not mean that cadres were having sex with peasants. Rather, it refers to the collectivist era when cadres were close to peasants and shared the same bed with peasants at night and chatted with them. This was a way for cadres to investigate the real situation in the countryside and to break down barriers with peasants.

<sup>53</sup> Interview with the party secretary of Jinhu Village, Dongxingyuan Town in Yuanxiang County and several other village and town cadres, October 2002.

## Rural Public Finance Crumbled

Nowhere could the severe downward fiscal pressure be seen more clearly as when the system crumbled. Though counties, township, and villages all suffered financially when they could not collect enough taxes and fees from peasants, it was villages and townships, particularly the former, that borne the worst effect.

“Paralyzed” (*tan le*) and “dead” (*si le*) were two words that local cadres repeatedly used to describe the fiscal crisis of village and townships after 1998. Villages were under severe pressure to clear their accounts with townships, even when they could not collect enough taxes and fees from peasants. This practice, widespread in Hunan, was called “accounts cleared with above but not with below” (*shang qing xia bu qing*).<sup>54</sup>

Because villages were forced to borrow money to fulfill quotas of taxes and fees issued by their townships, they were left with no money to spend. As a result, villages found it extremely difficult to provide any public goods, carry out any public project, pay back any debts, or to pay the salaries for village cadres. Many village governances thus became “paralyzed” (*tan le*) not only financially but also politically. As grain collection became exhausting and conflict-ridden, and because village cadres were not paid, sometimes for years, the allure of the position of village cadres, the envy of many in the past, diminished significantly in the countryside.<sup>55</sup> It became increasingly difficult to find peasants willing to be village cadres. It was not uncommon for village cadres to resign together, after not being paid for a long time. Village cadres described their jobs as follows:

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<sup>54</sup> “Above” here means the government and “below” means peasants. The practice meant that a village cleared its account with its township, but its peasants did not clear their accounts with the village.

<sup>55</sup> In the collectivist era, peasants respected their village cadres highly and village cadres belonged to the political elite in the countryside. In the 1980s and the early 1990s, the positions of village cadres remained attractive, partly because villages still had public assets, such as village enterprises.

Only idiots now still want to be village cadres. Those with a little bit of capability will make more money more easily working in cities. Only those with no real capability would labor for this few thousand yuan a year, which is not even paid.<sup>56</sup>

Nowadays it is very hard to be a village cadre. It is not only me who thinks so. In every meeting we (village cadres) all think the same. The government (*zhengfu*) also knows this. It knows that we village cadres are having a tough time. The problem with being a village cadre is that it is too down to earth (*tai shizai le*). The above [townships] presses us and the below [peasants] fights with us. We village cadres are squeezed in between. This business of being a village cadre is truly not easy. However, it is a job and somebody has to do it. We have no way out (*mao banfa*).<sup>57</sup>

Similarly township public finance was severely affected by rear taxes and fees. Townships in Hunan were mostly funded by peasants. As long as they could make unlimited fiscal demands on peasants and transfer their fiscal crisis to peasants, they did not have to face the consequences of living beyond their means. As peasants started resisting heavy burdens, however, many township cadres were not paid salaries. Townships also found that they could no longer pay back their huge debts and had to pile new debts upon old ones in order to keep the government open. The following quotation demonstrated the crucial importance of taxes and fees for the public finance of the township government:

The townships' financial problems started in 1998, the year when townships were forbidden to collect many fees. If townships could still collect those fees, this difficulty would not exist. Before 1998, other than the three fees and the five unifies (*santi wutong*), townships collected other fees from peasants, such as the school renovation fee, school construction fee, and irrigation project fund. I remember that in the best year, we collected more than 700,000 yuan of the school construction and renovation fee alone.<sup>58</sup>

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<sup>56</sup> Interview with the party secretary of Quanshi Village, Qingpu Town, Zizhou County, Oct. 2001.

<sup>57</sup> Interviews with village cadres in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>58</sup> Interview with the retired director of the Finance Office of Dongxingyuan Town, Oct. 2002.

As rural public finance crumbled in 1998, townships cadres working for seven stations and eight offices, all self-funded or partially-funded agencies, were paid poorly or not paid at all. Whereas in the past townships paid these people salaries through taxing peasants heavily, in the late 1990s, most of these agencies were left on their own financially. This practice was called “de-linking” (*fang chuqu*). Among all self-funded or partially-funded township agencies, the financial plight of a water management station was the most severe. It was the most severely indebted agency and its cadres were paid the least amount of salary; some were not paid a penny in three or four years. This was because the local water bureaucracy was the largest of all local agencies. Second, unlike others, local water management agencies had to provide service to peasants. Otherwise farmland would either dry up or become flooded. Thus, local water management agencies had to borrow money to keep electric pumps running. According to the head of one water management station, “Water management stations are already paralyzed up to the neck and are about to die. If even directors of these stations resign, then they will be truly paralyzed.”<sup>59</sup>

The following describes the difficulty that water management stations in Hunan have been facing ever since rural public finance crumbled in 1998. Though the problem of water management stations is most severe, it is representative of the difficulties faced by numerous other township agencies:

Bailuchong Town has two electric pumps. Because peasants refused to turn in the common production fees, there was no money to have the pumps maintained regularly. When it was time to drain the land, the pumps no longer worked. The water management station borrowed money from here and there and had the pumps fixed. However, the electricity bureau refused to deliver electricity to the water management station, since electricity was not free. It was a commodity. The water station had to write an IOU receipt (*da qian tiao*) to the electricity bureau. Last year each cadre in this station was only paid

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<sup>59</sup> Interviews with the directors of water management stations in two townships in Fenglin District, Huaizhou City and with cadres in an irrigation and drainage station in the district, July 2004.

1,700 yuan a year. Retired cadres were not paid pensions. They thus petitioned (*shang fang*) the district government.<sup>60</sup>

Fully-funded township cadres also suffered financially when townships could no longer tax peasants at their will. Before counties in Hunan set up a unified payroll center (*gongzi tongfa zhongxin*) a few years ago which guaranteed the salaries of civil servants and teachers, including fully-funded administrative township cadres (*xiang xingzheng ganbu*), many township cadres were not paid on time. Even after a unified payroll center was set up, the salary level of a township cadre was much lower than that of a county cadre. Many township cadres did not have health insurance (*yi bao*) nor were they covered by a county's social security fund (*she bao*). A town cadre described the difficulties faced by township cadres:

If we cannot collect the education surcharge, then teachers cannot receive their salaries. If we cannot collect the family planning fee, then cadres in the family planning office will have no income, since they are not funded by the district. If we cannot collect the militia training fee, it has to be deducted from township cadres' salaries. In addition, the district deducts one month of salary from each cadre each year to strengthen the core levee.<sup>61</sup>

Unable to tax peasants as much as they wish, township governments in Hunan had to borrow heavily every year to keep functioning. Thus new debts piled upon old ones. Townships in Hunan, like in many other provinces, plunged into a financial mess impossible to be sorted out and reached a steep debt level impossible to be paid back without a large amount of money infusion from either the central government or elsewhere. Townships in Hunan find it hard even just to pay back the interest:

We now survive by borrowing money. Each year we borrow more and each year the debt level increases...Of course creditors constantly come to the town

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<sup>60</sup> Interviews with a vice director of the Irrigation Bureau of Huaiyang District, Huaizhou City and with a vice director of the Finance Bureau of the district, Jan. 2005.

<sup>61</sup> Interviews with cadres in Wangyuting Town, Huaiyang District, Huaizhou City, Dec. 2001.

and demand their money back. While, you do not have to wait for them to knock at your door, you yourself know how much money you have borrowed. The money we have borrowed from banks and credit unions are long term loans. We need to pay interests, which we have no money to pay. However, we pay the interests nonetheless. We borrow money year after year... Nowadays a cadre's ability to borrow money and incur debts is highly valued. As long as you succeed in borrowing money from somewhere, you are considered very capable.<sup>62</sup>

### **Part III: Grain Collection after 1998**

Local governments, desperately short of funds, exerted heavy pressure on their cadres to collect grain from peasants. Despite the central government's policies that forbade local cadres from using excessive force to collect grain, counties, townships, and villages used a series of methods, ranging from legal to illegal, peaceful to brutal to collect grain and money from peasants. In the eyes of peasants, local cadres behaved increasingly like robbers and mafia who were worse than cadres under KMT (the Nationalist Party). This was a damning comparison, for in the collective consciousness of peasants, KMT was the prototype of the worst kind of government that one could possibly encounter. In the words of peasants, "CCP (the Chinese Communist Party) in the 1990s was worse than KMT. KMT was much better. CCP beat up peasants. It arrested them. It was also very greedy and wanted everything from peasants. KMT did not sink this low."<sup>63</sup> The conflicts between local cadres and peasants thus became irreconcilable.

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<sup>62</sup> Interview with the retired director of the Finance Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>63</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County (Oct. 2002) and with peasants in Wanyue Village, Meishan Township, Sishui City (Jan. 2002).

## **Pressure on Cadres**

To collect grain from peasants, local governments exerted pressure on cadres, teachers, and communist party members. For example, they assigned quotas to township and village cadres and linked the payment of civil servants' and teachers' salaries with the collection of taxes and fees from their rural relatives. In the late 1990s, grain collection changed from a simple task that involved a few cadres to one in which every civil servant, every teacher, and every communist party member working for the county government with rural relatives, all township and village cadres had to participate. This was not surprising. As teacher and civil servant salaries in a county depended on taxes and fees collected from peasants, everyone had a stake in grain collection. Teachers and cadres at the county level, however, only had to spend about two weeks a year on grain collection in August when the early crop was harvested, which was one of the two most intensive periods of grain collection. In August, every civil servant and teacher working for the county government and its agencies who had immediate relatives in the countryside was given a two-week grain collection break. They had to return to the countryside and make sure that their relatives turned in their taxes and fees. In many counties, such as Huaiyang District and Fenglin District of Huaizhou City, Yuanxiang County, and Zizhou County, civil servants, teachers, and communist party members were not paid their salaries if their rural relatives did not turn in their taxes and fees. This hated practice did not last long.

Though county-level civil servants and teachers did help, the bulk of the work of grain collection was carried out by village cadres, not only because they lived with peasants and knew them the best, but also because they sit at the very end of the bureaucratic ladder. They had to collect grain and money and turn them over to townships, if they wanted to keep their positions as village cadres and continue to work with a township.

Grain collection also consumed most of the time and energy of township cadres. However, as peasants and township cadres became more and more alienated from each other in the 1990s, township cadres increasingly relied on village cadres to govern peasants and to collect taxes and fees from them. Rarely did they interact with peasants directly. This was the case even with village liaison cadres (*liancun ganbu*). A village liaison cadre was a township cadre assigned to a village who was supposed to be the linking point between the village and its township. This cadre was in charge of an entire village. (S)he was supposed to deal with all problems related with that village and had to visit a village constantly, if not daily. Each village had one or two village liaison cadres. The concept and practice were created in the late 1990s mostly to ensure that rural taxes and fees could be collected. Obviously, simply assigning one or two township cadres to a village could not make peasants turn in more taxes and fees. However, each village liaison cadre was made responsible for collecting all the taxes and fees in his or her village. If the cadre failed to do that, (s)he would be dismissed. In the local phrase, they would have to “fold their comforter and mosquito net and go home.”<sup>64</sup>

Even though a liaison cadre spent a significant amount of time in a village, (s)he hardly knew any peasant well. Whenever (s)he visited a village, (s)he always stayed with village cadres and almost never visited a peasant family. In spite of the heavy responsibility that a village liaison cadre had in terms of grain collection and the special relationship (s)he had with a village, his or her behavior was the same as any other township cadre, aloof from peasants. Thus a village liaison cadre had to rely on village cadres to collect any grain or cash from peasants at all. Village cadres thus played the most crucial role for collecting taxes and fees from peasants. It was not an

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<sup>64</sup> Interviews with village cadres in Yuanxiang County, Oct. 2002.

exaggeration to say that since the 1990s, the entire rural financial system rested on the shoulder of village cadres.

Though township cadres seldom collected grain from peasants directly, they also played an important role in grain collection. Though village cadres did most of the work, they lacked the authority of the state, for they were not “state cadres” (*guojia ganbu*). When a peasant repeatedly refused to turn in taxes and fees and persuasion worked no more, village cadres had to turn to townships. Thus, township cadres were involved when the authority or repression of the state was needed. Sometimes this state authority was exercised in a benign manner. For example, township and village cadres would visit a peasant’s household several times, trying to persuade him or her to turn in rear taxes and fees. Very often, however, it was “executed” in a ruthless way.<sup>65</sup> To teach a lesson to peasant households that had accumulated large amounts of rear taxes and fees, townships would organize work teams of dozens of township cadres and their helpers and confiscate whatever they could find from those households, ready to use violence, including beating, arresting, and even gunshots if they met with peasant resistance. Townships and village cadres needed one another to collect grain from peasants and to govern or rule over them. Thus, it was not strange that when Liugongwan Township wanted to abolish village liaison cadres and pay each village party secretary 100 or 200 yuan a month more, no village party secretary agreed. “After all, a village party secretary is still a peasant, whereas township cadres have some authority. Without cadres, it is not easy to carry out rural work.”<sup>66</sup>

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<sup>65</sup> The word “execution” (*zhi xing*) came from local cadres and peasants.

<sup>66</sup> Interviews with the township party secretary and other cadres of Liugongwan Township, Huaiyang District, Huaizhou City, summer 2004.

### **Clearing Accounts with Above but not with Below**

One practice during grain collection that village cadres and village liaison cadres resented the most was the fact that they were forced to borrow money to fulfill tax and fee quotas. To ensure that township could collect their portion of taxes and fees, they stipulated a date in August when all villages had to clear their accounts with their townships. As it became harder and harder to collect taxes and fees from peasants, all village cadres and liaison cadres had to first borrow money from wherever they could with a high interest rate and turn the money over to their townships on the date of account clearing, hoping to collect taxes and fees from peasants later to pay back the loans they borrowed. Because village cadres and the liaison cadre could not collect the full amount of taxes and fees from peasants, they suffered heavy financial losses:

This year all villages had to clear their accounts with the town on August 20<sup>th</sup>. Out of 37 villages, more than 20 did. Our village needed to turn over 102,341 yuan this year. The village had already collected 11,510 yuan of the education surcharge from students in the first half of the year. Because the rural tax-for-fee reform was only carried out in this area in June, we still collected the education surcharge this year. We could deduct the education surcharge from the clearing-account amount. Thus, we needed to turn over more than 90,000 yuan to the town. We only collected a portion of the taxes and fees after the early crop was harvested. Village cadres and the liaison cadre all borrowed money (to clear the account). Only the director of the village did not succeed in borrowing any money. The other three village cadres each borrowed more than 10,000 yuan and the village liaison cadre borrowed more than 30,000 yuan. Altogether, we borrowed more than 60,000 yuan and cleared the village's account. We borrowed the money from private people with a high interest rate. However, we village cadres only agreed to borrow money and clear the account if we did not have to pay for the interest. The village liaison cadre agreed to be responsible for all the interest. It is already October and we have only collected more than 20,000 yuan from peasants.<sup>67</sup>

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<sup>67</sup> Interview with the accountant of Zhutian Village, Dongxingyuan Town, Oct. 2002.

This meant by October of 2002, when I did the fieldwork in that village, the rear taxes and fees for the village for that year alone was about 70,000 yuan.

This practice was called “account cleared with above but not with below.” A county received all taxes and fees from its townships and a township received all taxes and fees from its villages, but township and village cadres actually did not collect enough money or grain from peasants (*shang qing xia bu qing*). As peasants in villages in Hunan piled up rear taxes and fees, the phenomenon of “clearing accounts with above but not below,” became widespread in Hunan. Village cadres disliked intensely being forced to borrow money to clear the village account with its township, particularly since townships did not seem to be interested in anything other than taking money away from the village, as could be seen from the following:

In township meetings, cadres would announce which and which village has fulfilled 100% of their taxes and fees. In reality, it is not true... There is one thing that is most unreasonable, which yet the government advocates. The village liaison cadre and village cadres have to borrow money, pay interest, and fulfill the task from the above first. Thus, the above (townships and counties) does get all the taxes and fees. Why does a village liaison cadre agree to do this? Because (s)he has to hold on to his or her rice bowl. If (s)he cannot collect taxes and fees, (s)he has to be laid off. In all government meetings, it is emphasized that those who do not fulfill the tasks have to be laid off. Some of those cadres are college graduates. They have studied very hard and of course they want to hold on to their jobs longer. However, all the difficult problems that villages have to face, the government does not care about. We village cadres have to deal with them all on our own... There are some concrete problems which village cadres obviously cannot solve and which only the government can solve. For example, some villagers are rude and do not listen to any reason. Some owe rear taxes and fees. Some refuse to pay any taxes or fees. Sometimes two peasant families quarreled and harmed each other so badly that even the roof could be torn apart. The government, however, procrastinates as much as it can and (does not solve any problem). As a result, one problem can persist forever. When it comes to money, however, the government takes away whatever it demands from a village. This has the worst impact in the village.<sup>68</sup>

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<sup>68</sup> Interviews with village cadres in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

Because township cadres still exerted effective control over village cadres in many places, peasant debts toward the local governments (rear taxes and fees) occurred mostly at the village level.<sup>69</sup> This meant whatever grain and money a village collected was turned over to its township first, leaving almost nothing to villages, for peasants did not turn in the full amount of taxes and fees. As a result, villages suffered the most financially as peasants refused to turn in taxes and fees.

Village liaison cadres had no option but to borrow money to fulfill the quotas because they would lose their jobs if they did not. Why did village cadres who were not even paid by a township go along with a practice that they resented so much? Why did not village cadres collect their own portion of the taxes and fees first rather than borrow money to turn over the township's portion?

Most village cadres agreed to borrow money to turn over rural taxes and fees to townships for two reasons. First, village cadres needed to maintain good relationships with townships. This applied to both a village party secretary, who was appointed by a township's party committee and a village director and other village cadres, who were elected by villagers. Collecting rural taxes and fees on behalf of a township put a huge financial burden on villages. However, a township represents the government. It thus represents power and wealth. It was clear to village cadres that they worked for the government, rather than for peasants. If they wanted to climb up

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<sup>69</sup> This was the opinion of most local cadres in several counties in northern and central Hunan that I interviewed during my fieldwork. One township cadre, however, disagreed. He argued that peasant debts toward local governments affected townships more than villages. Village cadres were, after all, not state employees. Thus, townships could not really force them to turn over taxes and fees that they did not succeed in collecting. Township cadres, however, had to borrow money to clear their accounts with counties in order to keep their jobs. He even argued that village cadres secretly pocketed taxes and fees, lying to township cadres and under-reporting the amount of taxes and fees they actually collected from peasants. His opinion may have something to do with the fact that his township could not exert authority over several villages, whose peasants refused to even turn in the agricultural tax. Thus, cadres in these villages were partially relieved of their duty to collect taxes and fees because both the township and the villages knew it was hopeless even to try. Interview with a vice director in charge of finance and commerce of Liugongwan Township, Huaiyang District, Huaizhou City, January 2005.

the social ladder or to get government grants, they would have to be on good terms with a township government.

Second, townships and village liaison cadres exercised a tremendous amount of psychological pressure on village cadres to collect taxes and fees, which two village cadres explained in the following way:

We village cadres have to fulfill the task on the date demanded by the town. Village cadres of course are not afraid of being fired. However, I am more than 50 years old and sit below as an audience (during meetings). Those (town cadres) who sit on the stage are only more than 30 years or about 40. When those youngsters scold you (for not fulfilling the tasks), you do not feel comfortable. After all you have to save your face. This is indeed a factor.<sup>70</sup>

The village liaison cadre knows us village cadres well and has good connections with us. To save face, we village cadres must help out the village liaison cadre. Thus we all agree to borrow money.<sup>71</sup>

### **Shaming Peasants**

In addition to putting pressure on cadres, local governments also shamed and coerced peasants into paying taxes and fees. Local governments organized teacher protests to shame peasants into turning in their taxes and fees. For example, in Zizhou County, townships in the late 1990s organized demonstration of rural teachers, who shouted “shame on those who refuse to turn in the imperial grain or state taxes” (*bu jiao huangliang guoshui kechi*).<sup>72</sup> Townships also used mass propaganda means annually to shame peasants into turning in their taxes and fees. During harvest time each year, townships would drive propaganda vehicles (*xuanchuan che*) from village

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<sup>70</sup> Interview with the accountant of Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>71</sup> Interview with a village cadre in Zhutian Village, Dongxingyuan Town, Oct. 2002.

<sup>72</sup> Interviews with peasants and cadres in Qingpu Town, Zizhou County, March 2001 and Oct. 2001.

to village. A loud speaker would announce local policies on grain collection and remind peasants of their duty to turn in the agricultural taxes and fees.<sup>73</sup>

### **Withholding Services**

One way for townships to coerce peasants into paying taxes and fees was to withhold services from those families who owed rear taxes and fees. Townships refused to issue an identification card, a marriage certificate, or a birth permit (*zhun sheng zheng*) to peasants' families who accumulated rear taxes and fees.<sup>74</sup> This method, however, was only effective toward those in need of the services. According to peasants, "If we do not pay taxes and fees, we cannot have a daughter-in-law, beget a grandson, or work as a migrant worker in cities. Thus, families who want a daughter-in-law or who want to work outside (in the cities) have all paid their taxes and fees. Many of those who do not need to do any of these things owe taxes and fees to villages."<sup>75</sup> Townships and villages also forbade grain vendors from doing business with peasants directly. Whenever grain vendors came to buy grain in villages, village cadres followed them around to make sure that they did not pay cash directly to peasants. Instead, peasants had to pay taxes and fees first.<sup>76</sup>

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<sup>73</sup> Peasants borrowed this practice when they protested against heavy taxes and fees. See chapters 5 and 6 for details.

<sup>74</sup> To work as a migrant worker in a city (*da gong*), a peasant needed to have an identification card.

<sup>75</sup> The quotation comes from an interview with a peasant from Yuanxiang County who was working as a migrant worker in Huaizhou City (September 2001). This was a common practice in Hunan, as peasants in many areas, including Yuanxiang, Huaizhou, Zizhou, Huxian, and Sishui all mentioned during my interviews with them (interviews in northern and central Hunan, 2001-2003).

<sup>76</sup> Interviews with peasants and village cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

## **Work Teams**

To deal with unruly villages where peasants refused to pay taxes and fees, counties and townships often organized grain collection work teams. Those organized by a county could be very large, consisting of several hundred cadres from a county who were dispatched to villages whose peasants were particularly prone to resisting heavy taxes and fees. A county usually only organized work teams after subduing an organized peasant protest against heavy burdens or after a widespread peasant riot was under control. While peasants were carrying out protests or rioting against heavy burdens, townships and counties either dared not to collect grain from peasants, particularly from the villages where protest leaders resided, or they would pay frequent visits to the homes of protest leaders, trying to persuade them to give up their leadership roles. In unusually large peasant protests, a county would even try to co-opt a peasant protest leader by promising him any job that he requested. Once protest leaders were put in jail, peasant protest quickly collapsed. Counties then organized grain collection work teams to areas affected by the protest. Thus, the goal of a work team organized by a county was as much to collect grain, which was severely hindered by a peasant protest or a riot, as to reassert its rule in the countryside and to maintain rural stability.

Work teams organized by townships were different in several ways. First, they were much more frequent. After all, it was townships, rather than counties, that had to collect rural taxes and fees. Since townships and villages, much more than counties, depended on rural taxes and fees, townships constantly organized work teams. Second, township work teams were much smaller, usually consisting of dozens of people, rather than hundreds. Third, while work teams organized by counties consisted of county cadres who at least commanded some respect in the eyes of peasants, those

organized by townships consisted of many despicable types. To frighten peasants into turning in taxes and fees, townships hired local strongmen and people who had broken the law to collect grain from peasants. Thus peasants reserved the phrase “work teams” to those organized by counties. They used the phrase “a bunch of people” (*yi bang ren*), “a bunch of social dregs and hooligans” (*yi bang liuzi*), “a bunch of who-knows-what people” (*bu san bu si*) to refer to grain collection teams organized by townships. These phrases reflected the legitimacy crisis that townships were facing. Finally, while work teams organized by counties represented law and order and the authority of the government, those organized by townships behaved more like rural mafia who did not shy away from brutality, exhortations, and other illegal means to collect money and grain from peasants.

### **Robber-Like Behavior of Township Cadres**

Rough groups of people, including village and township cadres, social dregs, and grain vendors broke into peasant houses, sometimes at night, scooping away grain and confiscating all that was worth anything, including pigs, buffalos, cigarettes, furniture, television sets, bicycles, and even doors and coal. The confiscated property was then converted to taxes and fees at a hugely discounted price. Rural cadres beat up peasants who dared to argue with them or refused to turn in taxes and fees. They even arrested peasants illegally and locked them up in township government compounds. At times, even a peasant’s comments about the township cadres’ robber-like behavior could lead to fatal or serious disasters. In Dong County in southern Hunan, for example, in 1998, a young peasant in his early 20s who only owed the local government a little more than 80 yuan was shot in the chest and permanently disabled when he called township cadres “bandits.” The cadres had forced themselves into a

neighbor's home at night to collect taxes and fees.<sup>77</sup> In Liugongwan Township, Huaiyang District, a young peasant who owed several years of taxes and fees commented that township cadres collecting taxes and fees from a neighbor behaved like robbers. Upon overhearing this comment, township cadres dragged him to the township compound, where he died the next day.<sup>78</sup> During a grain collection that turned very confrontational, some peasants were beaten to death. Some drank pesticides or drowned themselves during the conflict. A peasant summarized grain collection in this way, "If you do not give them [township cadres] stuff, they arrest you. If you do not fulfill your tasks [taxes or fees], they remove your stuff. If you quarrel with them, they beat you up. What can we peasants do? Who now dares to owe taxes or fees?"<sup>79</sup> The lightest punishment on peasants who refused to turn in taxes and fees was to be forced to attend a political or legal study session. The benign name concealed the violence exercised during these sessions. According to a peasant, "In a study session, if they [township cadres] want you to stand, you have to stand. If they want you to kneel down, you have to kneel down. You can get beaten at any moment and this is called a study session."<sup>80</sup>

The following statement was taken from a petition letter written in January 2002 by peasants from a township in Sishui. It was addressed to the Standing Committee of the People's Representatives of Sishui City. The letter described in full the predatory behavior of local governments and the declining income of peasants. Extreme it may seem, the behavior of township cadres described in the letter was

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<sup>77</sup> Interviews with peasants in Dong County, summer 2004.

<sup>78</sup> Interviews with peasants and local cadres in Liugongwan Township, Huaiyang District, 2001-2003. I made numerous trips to this township during my long fieldwork.

<sup>79</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>80</sup> Ibid.

typical. The only thing atypical about it was that the cadres took away the peasants' furniture, rather than grain, pigs, or buffaloes, which were commonly confiscated elsewhere. This may have something to do with the location of this village, which lies close to the county seat and is governed by a street committee, which ranks the same as a township. It is thus less rural than a typical village. Peasants here may have little farmland due to the village location, which may be why they considered tangerines, rather than grain to be their main product.

In mid-Nov. of 2001, the Meishan urban street office (township) broadcast a tax-and-fee collection mobilization meeting, emphasizing that every penny must be collected. Tax-and-fee collection shock troops (*tuji dui*) were formed, each troop consisting more than 10 people. These troops came with propaganda vehicles and transportation tools and entered each and every peasant household, forcing peasants to turn over money and property.

Meishan Township leaders ignored central policies and laws on lowering peasant burdens and used high pressure to collect taxes and fees. They proclaimed that if peasants refused to turn in taxes and fees, their land would be confiscated and their household registration would be annulled. For those peasants who owed rear taxes and fees, the township refused to issue a marriage certificate, a birth permit, a national identification card, or a border certificate (*bian fang zheng*). The township forced peasants to borrow money and loans to turn in taxes and fees. It took away peasants' property, which was counted toward their taxes and fees obligation at a greatly discounted price. In mid-November, more than 10 people entered peasant Cao's house and forced him to turn over his ox (*huang niu*), which township cadres later slaughtered and ate up. Peasant Wen and Peasant Chen were forced to turn over 6,000 briquettes, which cadres divided up. Between mid-November and the first half of December, Peasant Huang was forced to turn over an electric fan, a sewing machine, and a coffin. Peasant Chen's color TV was confiscated and was counted 200 yuan toward his taxes and fees. One black TV of Peasant Xu was taken away and counted as 50 yuan. Peasant Luo's iron door was discounted to only 200 yuan, the original price of which was 700 yuan. In December 2001, more than 10 people forced themselves into Peasant Luo's house. They forced him to turn in all rear taxes and fees that the family had accumulated by 2001. Otherwise, they would take away all electric appliances of the family. The peasant's wife took rat poison and was saved by fellow peasants. In December 2001, more than 16 troop members entered Peasant Chen's house at 10 o'clock at night to force him to turn over money and property. Township leaders and public security people locked up a female guest of Chen's household in the township compound and [used her to] force the family to turn in taxes and fees.

The excuse was that the guest did not have her female examination (*fu jian*) done. In December 2001, the shock troop entered peasant Qin's household and confiscated his liquefied gas bottle, gas stove, and an electric fan...

Ever since the levee broke in 1996, tangerines, the main product of this area was drowned, the annual yield declined, and the price dropped. In such a disaster area, how could the government levy more than 100 yuan per person? How could the 5% of peasants' net income be so high? Peasant burden levels and peasant net income should be verified through careful investigation of the actual income in a peasant's household.<sup>81</sup>

The predatory behavior described in this letter was repeated in many places in Hunan, such as in Dong County, a flat county in southern Hunan. In this county, even if peasants hid their pigs in nearby mountains, rural cadres still took them away. For a pig that weighed more than 100 kilograms, rural cadres only paid peasants 50 yuan. In one village, only one or two buffaloes were left in 2004, whereas in the past, almost every family in the village had a buffalo. Peasants were afraid to raise buffaloes because townships confiscated them. Saving face, an important concept in social interactions in China, no longer mattered when it came to grain collection. In one case, an old peasant who worked for a township government for many years did not receive any kind of courteous treatment. At night cadres broke into his house and confiscated his possessions. To this day his door bears evidence of the violence. The son of a peasant quarreled with cadres who came to collect taxes and fees. He fought with one of them, was arrested, and was made to pay 1,500 yuan to the cadre. Another peasant was put in a sack, pulled to the township, and beaten severely. His wife went to the township compound and drank pesticide. Township cadres dialed the emergency number 120. After the ambulance arrived, cadres did not carry the woman to the stretcher. Rather, they pulled her on the road and then threw her into the ambulance.

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<sup>81</sup> The price of tangerines was as low as 8 cents per *jin* in 2001 and 2002. Selling more than 10,000 *jin* of tangerines would only bring a peasant family a little more than 800 yuan. A peasant's net income in a year was at most 300 to 400 yuan in this township. Interviews with peasants in Wanyue Village, Meishan Township, Sishui City, Jan. 2002.

People from the emergency center then commented: “If you have this kind of attitude, why did you even bother to dial our number? Why not let her simply die in your township government compound?”<sup>82</sup>

The conflicts between peasants and local cadres built up, the countryside was in flames, and a crisis was looming.

#### **Part IV: Two Perspectives on Rural Taxes and Fees**

Local governments were determined to use whatever it took to collect grain from peasants, for the very existence of the government depended on these revenues. Peasants, however, refused to pay unreasonable taxes and fees because they were also in a dire financial situation. The conflict of interest thus made grain collection the most explosive issue in the countryside in the 1990s, pitting local governments and peasants almost in a daily struggle against one another.

#### **Why Did Peasants Refuse to Pay?**

Peasants refused to pay taxes and fees not merely because they were poor and the burdens were heavy. More importantly, they refused to pay because they thought that they received no service in return, because they were subject to unjust, random, exorbitant, and multiple taxation, and because they regarded the local governments as corrupt, bloated, cruel, greedy, and useless. The mistrust and even hatred toward local governments were widespread among peasants in the 1990s. Peasant income stagnated or decreased since the mid 1990s. While the cost of agricultural inputs increased, the price of grain and pigs—the two major sources of income for peasants in Hunan—declined after 1995. Table 4.3 shows that the cost of tilling one *mu* of land for one

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<sup>82</sup> This paragraph is based on interviews with peasants in Dong County, summer 2004.

season, including buffalo plowing (*niu geng*), pesticides, and chemical fertilizers, was more than 100 yuan.<sup>83</sup>

**Table 4.3: The Cost of Tilling One Mu of Land for One Season, 2001-2003 (unit: yuan)**

Activities	Quantity or frequency	Price
Buffalo plowing	Once	40
Pesticides	Sprayed 3 times for the early crop, 4 times for the late crop	20 or 25
Chemical fertilizer one ( <i>tan an</i> )	one package (100 <i>jin</i> )	20
Chemical fertilizer two ( <i>lin fei</i> )	One package (100 <i>jin</i> )	20
Chemical fertilizer three ( <i>jia fei</i> )	10 <i>jin</i> or 15 <i>jin</i>	10
Chemical fertilizer four ( <i>niao su</i> )	10 <i>jin</i> or 12.5 <i>jin</i>	8-12
Total		118-127

Sources: Interviews with peasants in counties in northern Hunan, 2001-2003.

The best land tilled by the most capable peasants—meaning those best in tilling the land could harvest between 600 kg to 700 kg of grain at most in a year.<sup>84</sup> Grain prices declined since the mid 1990s. In 1994 and 1995, the price of grain reached 90 yuan per 50 kilos, whereas in 2002 the grain price was only a little more than 40 yuan for the early crop and a little more than 50 for the late crop.<sup>85</sup> Thus, in

<sup>83</sup> Note that the cost does not include common production fees, such as water fees and drainage fees. In this dissertation, I treat the common production fees not as input, but rather as taxes and fees. The price does not include labor other than buffalo plowing. Not every peasant family in Hunan has a buffalo, which is needed to plough the land. Thus, many peasant households in Hunan have to hire others with a buffalo to plough the land. If a peasant hires labor for other tasks, such as harvesting grain, the cost will be higher.

<sup>84</sup> Interviews with peasants in Yuanxiang County and Zizhou County, 2001-2003. The number is for two seasons.

<sup>85</sup> Interviews with peasants in northern and central Hunan, 2001-2002. In China, the unit of grain price has always been per 100 *jin* or per 50 kilos. One *jin* is half a kilogram. The Chinese have a specific term for 100 *jin* of grain known as one “*dan*.”

the late 1990s and before 2004, peasants in Hunan could make 200 to 300 yuan a year at most from cultivating one *mu* of land for two seasons.<sup>86</sup> The average land holding size in Hunan, a densely populated province, is barely one *mu* per person.

This small profit was eaten away when burdens got much higher. In the 1990s and beyond, heavy burdens, low grain price, and high agricultural inputs price made farmland, the traditional symbol of wealth and the dream of peasants, a burden, rather than an asset. The best indicator of the negative value of farmland in Hunan in the 1990s was the fact that peasants who let others till their land not only could not collect any rent, but also had to pay others to do so. In Hunan, a peasant who asked another peasant to till his or her land had to provide 50 kilos of chemical fertilizers per *mu*. In addition, (s)he himself or herself had to pay the education fee levied on the land. In Shuangdu Village, Cangyuan Town, for example, a peasant asked another to till his land in 2002, which was a little more than 2 *mu*. He provided 100 kilos of chemical fertilizers (about 40 yuan in 2002) and paid 70 yuan of the education surcharge himself.<sup>87</sup> Therefore, it was not surprising that peasants in Hunan abandoned their farmland in large numbers, particularly in lake areas.

The price of pigs also declined since 1994. In 1994, it was 4 or 5 yuan per *jin* and the price of pork in the countryside reached as high as 6 yuan per *jin*.<sup>88</sup> In 2002, the price of pigs declined by more than 50% to only 2 yuan per *jin*, so peasants could only make a little more than 100 yuan a year from each pig they raised.<sup>89</sup> A peasant summarized his predicament:

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<sup>86</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>87</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>88</sup> The price of pigs and the price of pork are two different concepts. The former refers to the price of a fully-fed pig (*bao shi zhu*) that is still alive. The latter refers to a pig's meat after it is slaughtered.

<sup>89</sup> Interviews with peasants in Zhutian Village, Yuanxiang County and elsewhere in northern and central Hunan, 2001-2002. Note that the rural situation has improved greatly since 2004, two years after the rural tax-for-fee reform started. The price of summer grain reached more than 60 yuan per 50 kilos and

Peasants are really miserable nowadays. Chemical fertilizers are expensive. So are pesticides. They are also fake. Yet the price of grain and pork is low. So why should peasants till the land? That is why nowadays those who decide not to till the land even have to pay others money to do it. I am telling you if [the government] plays us in their palm like playing with mud, we peasants would die.<sup>90</sup>

### **Peasant Views on Taxes and Fees**

Peasants were subject to random, constant, and multiple collections for the same kinds of service. This could happen with any type of fee, particularly with education fees and common production fees, as basic education and irrigation were the two most expensive items on the list of services partially funded by peasants. Collecting the education surcharge from rural students on top of the education surcharge that each peasant paid, a practice seen everywhere in Hunan since the 1990s, enraged many peasants. It was the immediate cause of two of the three peasant protests studied in this dissertation. Each semester, a rural student in Hunan had to pay dozens of yuan of the education surcharge. Peasant families with school-attending children had to pay the education surcharge four times a year. Many considered the surcharge to be unreasonable. In the words of one old peasant, “Of course I oppose the education surcharge. Students have already paid it, yet it is levied on land again. How can this be reasonable?”<sup>91</sup> In addition to the education surcharge, peasants and their school-attending children had to pay a host of education fees, making the education burden the heaviest among all types of rural taxes and fees.

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that of fall grain reached 80 yuan per 50 kilos. Phone interviews with a cadre from Zhutian Village, Dongxingyuan Town, Yuanxiang County and with a vice director in charge of finance and commerce of Liugongwan Township, Huaiyang District, Huaizhou City, April 2004. In 2007 the price of pork increased by more than 100% compared to 2006 and shot up to more than 10 yuan per *jin* in many cities, causing fear of inflation in China.

<sup>90</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>91</sup> Ibid.

Even worse, peasants were made to pay for services that were not provided because many fees were based on the need to pay township and village cadres, rather than on services provided. This was particularly the case with the common production fees, since among all township agencies, the rural water bureaucracy was not only the largest, but also the most broken. Peasants were charged very high irrigation and drainage fees in the 1990s before the central government stepped in. They were charged water fees when their land was not irrigated at all or when it was irrigated for only a few days. They were made to pay a hefty drainage and irrigation electricity bill, sometimes even when a township did not have any electric pumps installed and thus no drainage service was provided. Peasants paid for irrigation grain or money, but did not see irrigation projects built. In lake areas, peasants had to spend several months strengthening river banks and fighting against flooding. In many lake townships, the peasants' "two labor services" toward the local government were converted to a heavy amount of cash payment. Peasants paid the agricultural technology fee, but townships did not provide any help in agricultural technology. They paid village and township road construction fees and irrigation project fees, yet they received not a penny from their townships when they needed to build a village road or a small village irrigation project. They grew no special agricultural products, yet they needed to pay the special agricultural product tax. They slaughtered no pigs, yet they needed to pay the pig slaughtering tax. They paid the five-guarantee household fee and grain, yet old peasants were not taken care of. Sometimes they were charged grain and money for years for certain public projects, such as building a power plant, a road, or a school, but none materialized. Still, the money was never returned.

Many taxes and fees, such as the road construction fee, new school construction fee, and common production fee, were levied on persons, ranging from

newborn babies to old frail peasants. To the peasants, this was grossly unjust, as can be seen in the following comments:

Before 1996, [the township] collected funds from peasants for everything, such as building schools and building roads. The township wanted to build a new school. Everybody, from the head of a household to babies newly born, had to pay 40 yuan or 30 yuan to build it. In addition, everybody had to pay dozens of yuan each year for three years to build a new road. Everybody, from the moment (s)he is born, has to pay 120 yuan to build the road. Further, when Qianjiang Township was consolidated with township Qizong, peasants again had to pay the road construction fund for three more years to build the Xiang-Qing road.<sup>92</sup> (A middle-aged peasant in Qizong Township, Qinggang County, 2004)

I am more than 70 years old, but I still need to pay the family planning fee. Is this reasonable? (An old male peasant in township Liugongwan of Huaiyang District, 2002)

Did any dynasty in China's history ever ask peasants more than 70 years old to pay head taxes?---A peasant cited in Li Changping (2002, chapter one, p.3)

When taxes and fees were levied on land, land flooded or in drought was not exempt from taxation. Land that no longer existed was also levied taxes and fees. In many villages, farmland was lost due to construction of roads, schools, power plants, and factories. However, it was not until a few years ago when land was readjusted during the second round of land contracts that peasants stopped paying for land that existed only on paper. The size of such land in a village could be dozens or even a few hundred *mu*. The land size of Zhutian Village, Dongxingyuan Town, for example, shrank by almost 100 *mu* from 1567.8 *mu* to 1,472 *mu* when newly measured in 2002 during the rural tax-for-fee reform. The land size of the entire town decreased by

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<sup>92</sup> Interviews with peasants and peasant protest leaders in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004. In Hunan, townships only stopped collecting all kinds of funds (*ji zi*) from peasants after 1998. However, in this township, it happened two years earlier due to a militant peasant protest, more details of which can be found in chapter 6.

3,220.54 *mu* (see table A. 4 in the appendix).<sup>93</sup> When peasants paid taxes and fees denoted in cash with grain, their grain was only worth 41 yuan per 50 kg. However, when peasants decided to pay taxes and fees denoted in grain, such as the agricultural tax, the common production fees, the five-guarantee household grain with cash, peasants had to pay 51 yuan or even higher for every 50 kg of grain they owed to local governments. The local governments took a cut of 10 yuan per 50 kg of grain. Commenting on this practice, one township cadre said, “The government will never be a sucker.”<sup>94</sup>

The burdens were not only heavy, but also numerous, unregulated, and chaotic. The list of taxes and fees was very long and it changed from year to year. It was never clear to most peasants what item was for what purpose and why they needed to pay for any particular item, even after every family received a peasant burden card since the mid 1990s. Rural cadres never bothered to explain to peasants why these taxes or fees needed to be collected. Neither did they show peasants where the money went and how it was spent. Peasants had to pay close to 20 types of taxes and fees in the 1990s. According to peasants, “School construction fee, road construction fee, special product taxes collected by the village or the township, and this and that fee (*qiqi baba*). It is never clear [to us peasants]. [We peasants] are in the dark about many things.”<sup>95</sup>

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<sup>93</sup> Interviews with town cadres in Dongxingyuan Town, Yuanxiang County and with village cadres in Zhutian Village, Dongxingyuan Town, Oct. 2002. The first number (1,567.8) is taken from *Dongxingyuan zhen 2001 nian du gecun liangshi renwu ji zhentongchou fenpei biao* [Table on the distribution of grain quotas and unified township fees among all villages of Dongxingyuan Town in 2001]. The second number (1,472) is taken from the table entitled *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County] made by the town in June 2002.

<sup>94</sup> The Chinese phrase was “*zhengfu hengzhi buhui chikui*.” Interviews with cadres in Dongxingyuan Town in Yuanxiang County, Oct. 2002.

<sup>95</sup> Interviews with peasants in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004.

To circumvent a central directive which limited rural taxes and fees to 5% of peasants' annual net income, local governments grossly inflated peasant income. Since 1998, after widespread peasant protest, the central government stipulated that the three fees and five unifications (*santi wutong*) could not exceed 5% of a peasant family's annual net income. The peasants' annual net income in hilly areas was usually set at 1,500 yuan a year per person and more than 2,000 yuan in lake areas. The level was higher in lake areas than in hilly areas not because peasants in lake areas were richer, but rather because the government there was poorer, the salary level of village cadres was higher, and there was the constant need to strengthen levees, fight against flooding, and drain the peasants' land, all of which was costly. Thus, local governments in lake areas had to collect more from peasants. Both levels of the peasants' net income were inflated. For many peasants, 1,500 yuan per person was simply too high, as can be seen from the following comments made by peasants in a hilly area:

The 5% taxation rate stipulated by the central government is actually not that high. What then is the main reason for the heavy burdens of peasants? The basic figure is raised too high. We did not know [about this rule] at that time. Village cadres came to our houses and recorded our income. [They wrote down] how many pigs we raised, how many chickens we raised, and how many this and that stuff our family had. At that time the price of pigs was more than 8 yuan per *jin*. Pigs, family sidelines (*jiating fuye*), and everything else were all gathered in one basket and counted toward a peasant's net income. Thus [according to them] each peasant indeed had more than 1,000 yuan of net income a year. Five percent of the taxation rate indeed was not high. However, [the local government] did not deduct the cost of cultivating the land or raising pigs from the net income. (Peasants in Yuanxiang County, 2002)

The only thing that the local government did not include as a peasant's income was the sunshine and the air. (Peasants in Zizhou County, 2001)

Many local cadres did admit that the "real peasants" were indeed poor and that they simply could not make 1,500 yuan a year.<sup>96</sup> However, the cadres usually justified

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<sup>96</sup> Real peasants in Hunan were defined as those who derived all their income from two sources: cultivating land (*zuo tian*) and raising pigs (*wei zhu*).

their figures by evening out the net income of “well-off” peasant families with real peasant families.<sup>97</sup> For example, one cadre explained the high peasant annual net income per person (more than 2,000 yuan) in Huxian, the poorest county in Huaizhou in this way:

Village cadres in lake areas have to spend four months fighting against flooding and several months organizing peasants to strengthen levees. On top of these, they still need to collect taxes and fees. They have to work very hard every day and almost have no time to attend to their own affairs at home. They must be paid higher wages (than those at hilly and mountainous areas). Otherwise nobody is willing to be a village cadre. If cadres’ enthusiasm were dampened, things would become even worse [in the countryside]. We borrowed a practice from Jiangsu province, whose village cadres’ salaries did not exceed 1.5 times of the annual net income of a peasant. So we set the annual net income per peasant in Huxian at more than 2,000 yuan and a village cadre’s annual salary at between 3,000 yuan and 4,000 yuan... Peasants in lake areas are indeed still poor... Those who only cultivate the land are nothing but extremely poor. However, those who work as migrant workers are well-to-do. When we calculated the annual net income per peasant, we included those who worked as migrant workers (*da gong*). One migrant worker family can elevate the income level of more than 10 or even 20 peasant families. Many peasants in lake areas have migrated to cities. Thus, the annual net peasant income in lake areas is also higher (than elsewhere).<sup>98</sup>

As can be seen from these comments, a peasant’s annual net income was based on the financial need of the local governments, which led to an absurd situation where the poorest peasants, i.e. peasants in lake areas, also had the highest annual net income.<sup>99</sup> Second, rural taxes and fees were highly regressive. As rural taxes and fees were taxed either on persons, on land, or on households, rather than on an individual

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<sup>97</sup> Local governments considered peasants who worked as migrant workers in cities well off, no matter how precarious their existence was and how tough the work was. This was not completely unfounded. Compared to real peasants, migrant workers could usually make more money.

<sup>98</sup> Interview with a vice director in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>99</sup> Peasants in lake areas tended to be the poorest because they had to pay much heavier burdens than those in hilly or mountainous areas.

peasant household's income level, they were much heavier as a percentage of the poor peasants' income than as a percentage of the relatively well-off peasants' income.<sup>100</sup> Finally, heavy burdens drove peasants out of land, which then further increased the burdens for those left behind because it was very hard to collect taxes and fees from peasants who had migrated to cities, particularly if the entire family had migrated, which often happened in lake areas. Increased burdens put further pressure on peasants to leave their land, thus speeding up the disintegration of the countryside. Because peasant burdens in lake areas were the heaviest, the disintegration there was also the most serious.

Because villages, just like townships, were indebted, they not only collected heavy taxes and fees from peasants but also very often failed to pay peasants wages after hiring them to pave roads, build new schools, construct irrigation projects, or transform the rural power grid (*nongcun diangai*). Many villages in Hunan owed their peasants back wages. Zhutian Village in Yuanxiang County, for example, owed its peasants more than 20,000 yuan of wages by 2002.<sup>101</sup> An old peasant, a former village party secretary in Wushui Village, Qingpu Town, Zizhou County, organized a road-maintenance team and maintained the village road for two years, but was not paid a penny.<sup>102</sup> Furthermore, local governments refused to allow peasants to deduct rear wages that villages owed them from the taxes and fees that the peasants owed to townships. It took the death of a peasant burden-reduction leader for some townships and counties to change this unfair policy.<sup>103</sup> Overall, before peasants started to resist

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<sup>100</sup> Farmland in Hunan is distributed equally among all people on the same team.

<sup>101</sup> Interview with the accountant in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>102</sup> Interviews in Wushui Village, Qingpu Town, Zizhou County, March 2001.

<sup>103</sup> See chapter 5 for details.

heavy burdens in the late 1990s, they were subject to random and heavy taxes, fees, and fines. A local cadre summarized the rural situation in this way: “After peasants started to protest, the burdens were somewhat lowered. Some time ago, the burdens were unbearably heavy due to random fees and fines. Cadres kept coming to villages, demanding money from peasants for all kinds of things.”<sup>104</sup>

All the aforementioned problems with taxes, fees, and fines, according to peasants, were caused by the type and the size of township governments and village governance: corrupt, bloated, starved of funds, and incapable of helping peasants get rich. This sentiment can be summarized by this comment from a peasant: “The central government emphasizes that governments at the grassroots level (*ji ceng*) should practice the “three represents” (*sange daibiao*). In reality, however, the local government is the source of all our problems.”<sup>105</sup>

### **How Peasants Viewed Local Government**

Peasants thought that many of the taxes and fees were wasted or embezzled by cadres. Local cadres forced peasants to pay taxes and fees, but never allowed peasants to know where and how the money was spent. In spite of several policies to make village accounts (*cunji caiwu gongkai*) and village affairs open (*cun wu gong kai*) to public scrutiny, peasants could never really exercise any power over village cadres about village finances. Auditing village accounts helped to uncover cases of village corruption, which were not prosecuted. Peasants, enraged, refused to pay taxes and

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<sup>104</sup> Interview with a retired town cadre in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>105</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Oct. 2002. “Three represents” was a theory that Jiang Zemin, the general secretary of CCP from 1989-2002 invented in 2000. It was hailed by the party as Jiang’s unique contribution to Marxism, Leninism, and Mao Zedong thought. The theory says that CCP must represent China’s most advanced productive forces, its advanced culture, and the interests of the overwhelming majority of the people. See “Gate-crashing the party,” *The Economist*, Nov. 13, 2003.

fees unless corrupt cadres were punished. As a result, villages with corruption scandals were also the ones where peasants owed large amounts of rear taxes and fees to local governments.

### **Village Corruption and Its Impact on Rural Public Finance**

There were numerous ways for village cadres to engage in corrupt deeds and abuse their power. Those that peasants complained the most included the following: (a) Excessive and endless wining and dining, which topped the list of peasant complaints almost everywhere. Among peasants, the image of village cadres in the 1990s was one of selfish individuals who wasted village money on banquets to curry favor with township and higher cadres. Many villages were full of receipts that village cadres wrote for themselves, most of which were spent on meals. (b) Collecting gifts and commissions (*hui kou*) from peasants. (c) Embezzling grants from above, including poverty relief money. (d) Selling village public property and splitting it among village cadres. This was particularly the case during the consolidation of townships. It was clear to peasants that township cadres were also corrupt. The most common evidence that peasants used to support this argument was that every major township leader, such as a township party secretary, the director, and vice directors of a township all built their own houses in a county seat. However, since peasants rarely interact with township cadres and they were only given the right to audit village accounts in the late 1990s, rather than township accounts, their complaints and evidence about corruption were usually limited to village public finance.

Corruption scandals very often triggered peasant resistance against heavy burdens. They were also featured in all peasant protests and riots. Peasants in Guojiatang Village in Huaiyang District, for example, started to refuse to turn in taxes and fees in 1999, due to questions about the village account and corruption. More than

200 *mu* of land in the village was appropriated due to highway construction. Village cadres pocketed some of the compensation money. When the state built a power line in the village, village cadres again pocketed another sum of money. In Changtang and Cangyuan Town, Yuanxiang County, each peasant was made to pay about 20 kilos of grain for several years in a row to build a power plant. Altogether the county collected several million yuan from peasants but it was not used on the power plant.<sup>106</sup> In Qizong Township, Qinggang County, a peasant protest leader found out that three village cadres embezzled hundreds of thousands of yuan. Beating a gong and walking around the village, he told peasants that they did not have to turn in taxes or fees for several years.<sup>107</sup> The following comment describes how village corruption, the mistrust between cadres and peasants, and the contagious effect of one peasant refusing to turn in taxes or fees led to the accumulation of rear taxes and fees and the crumbling of rural public finance:

Yesterday he [the village accountant] told you that the village received 50,000 yuan from the town for the dam. Actually it was 100,000 yuan. The town said that the amount was 100,000 yuan and the village also wrote a receipt of 100,000 yuan. But on the village account book, it only showed up as 50,000 yuan. We peasants did not know where the 50,000 yuan went. Many refused to turn in taxes and fees because of this 50,000 yuan. Peasants said that cadres embezzled the money. But they did not have any proof... In 1998, the year when Zhu Rongji forbade grain stations to deduct taxes and fees from peasant grain sales on behalf of townships, we peasants in this village still turned in most of the taxes and fees. This was because that year the village had just paid off all its debt and the village account was still intact (*mao gao lan zhang*). In the end, it was because of the building of this dam that messed up the account again. There were also some other conflicts between peasants and cadres. Some peasants then refused to turn in taxes and fees. You know, if one peasant did not turn in taxes or fees, others would not do it either... In the past, when

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<sup>106</sup> Interviews with peasants in Xujiaba Village, Changtang Town and Shuangdu Village, Cangyuan Town in Yuanxiang County, Oct. 2002. See chapter 5 for details on the protest in Changtang and Cangyuan.

<sup>107</sup> Interviews in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004. See chapter 6 for a detailed analysis of the peasant protest in Qizong Township.

the village borrowed more than 100,000 yuan to build a new village school, peasants did not object to it. After all, it was a good thing to build a school. Then, they decided to build this dam which cost more than 200,000 yuan. No peasant agreed to this during the meeting, since there was absolutely no need for the dam. However, they still built it. Even then peasants did not make much noise. In the end, it was because of the 50,000 yuan that village cadres embezzled that angered peasants. The second reason why peasants in this village did not turn in taxes and fees was due to auditing village accounts (*qing zhang*) in 1998. That year peasants [in this village], like in many other places, were united on their own, held meetings, and hired people to examine the village account. We found out many unreasonable expenses on the account. However, we were simply told, “Some money was eaten up. Some was used up. Let us make no fuss about this.” That was how it ended. As a result, peasants were angry and many did not turn in their taxes or fees... We peasants did not know whether the money collected was indeed used on its intended purpose (*zhuan kuan zhuan yong*). In a year during the budget meeting, village cadres said that they collected 104 yuan from each peasant and they paid back more than 20,000 yuan of debt. The next year, they said that the above (*shang mian*) issued a policy and that they could only collect 85 yuan from each peasant. However, they planned to pay back more than 30,000 yuan of debt. I asked them during the meeting how this could be possible. I am still puzzled by this question to this day.<sup>108</sup> (A peasant in Yuanxiang County, 2002)

### **Peasant Views on the Size of the Local Bureaucracy**

Peasants attributed their heavy burdens to a very large rural bureaucracy that was not funded or only partially funded by the government. Peasant burdens were much lighter in the collective era and in the 1980s, because the number of cadres in a township was much smaller. For peasants, all taxes and fees were money and grain charged from them to feed teachers and cadres. Thus, the family planning fee was used to pay salaries to family planning cadres. The water fee was collected to pay salaries to water watchers. The levee fee and the drainage and irrigation electricity fee were collected to pay salaries to cadres in water management stations. The education surcharge and the education fund were used to pay teacher salaries. The road

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<sup>108</sup> Interviews with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

maintenance fee was collected to pay township cadre money. None of the taxes and fees was used for the good of the peasants. As the size of the township expanded in the 1990s, peasant burdens kept growing.

Peasants thought that township size increased because the township party secretary and the director hired many of their friends and relatives and then made peasants pay for their salaries, mobile phones, cars, transportation, entertainment, and other expenses. Villages and townships were permanently short of money and continued to seek money from peasants. Peasants thus commented on village and township cadres: “When they want money from you, they turn to you. When they do not need money from you, they do not give a damn about you... If you need his [township cadre’s] help, you are in big trouble. When you look him up, you have to spend money. When he looks you up, he asks you for money. He cares about nothing but these two businesses.”<sup>109</sup>

The following comment from a retired town cadre is representative of peasants’ views on the root cause of public woes in rural Hunan:

In the past when I worked in the town, it only had more than 40 cadres. Now it has more than 150. How can peasant burdens not be heavy? The state does not appropriate enough money for them. Each of the cadres needs to be paid several hundred yuan a month. Some are paid more than 1,000 yuan. The town’s public expense (*ban gong fei*) is huge. It now has three cars and spends dozens of thousands of yuan a year on each. Each car needs a driver. Drivers, gas bills, and maintenance fees—all these expenses come from the five unified township fees. Every township cadre has a mobile phone and the town pays for it. The town also spends a large sum of money on entertainment (*zhao dai fei*). When higher cadres come, it has to spend several hundred yuan on each meal to accommodate them. All these and other expenses also come from the five unified township fees. The town is of course having a tough time. Why? Because it hires too many people, yet it cannot fire anyone. How is it possible to lay off anybody? Everybody is either a friend or a relative. Only contract workers (*hetong gong*) have been laid off. No state cadre is. So the town has to collect money from peasants and TVEs to pay its cadres salaries. That is why

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<sup>109</sup> Ibid.

peasant burdens are heavy. The above (*shang mian*) has been emphasizing that townships need to lay off people, but the town cannot succeed in doing that. If the town did not collect money from peasants, it would not be able to survive.<sup>110</sup>

Finally, peasants would not mind paying taxes and fees, nor would they mind that much about corruption, if local governments could help them make money through developing the local economy. Local governments in Hunan, however, found it increasingly difficult to play a developmental role in the 1990s after the collapse of TVEs. Heavily indebted, local governments could no longer invest in rural industries, as they did in the 1980s and the early 1990s, which led to a brief flourishing of TVEs. Neither of the two current rural developmental models in the countryside in Hunan has succeeded in developing the economy and making peasants rich.

The first new rural development model in Hunan is readjusting the agricultural structure (*tiaozheng nongye chanye jigou*), in which local governments encourage peasants to grow cash crops, such as flowers and trees (*huahui miaomu*) and try to attract corporations to the countryside. Local governments no longer directly invest in business, as they did with TVEs, but rather provide information to peasants and tax incentives to business and help peasants to sell their products to markets. However, so far this model has met with little success in Hunan. Sometimes it ruined peasants financially, mostly due to fluctuations in the market price of cash crops.<sup>111</sup> Some “agricultural restructuring” efforts turned out to be shams. Yuanxiang County, for

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<sup>110</sup> Interview with a retired town cadre of Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>111</sup> The party secretary of Yueyang City in Hunan once encouraged all peasants in the prefecture to grow horseradish (*luo bo*) after the city government invested a large sum of money in it. However, the price of horseradish later dropped. Civil servants and cadres received horse radish as their year-end bonuses. Peasants were ruined financially, for horseradish could not even be used as good manure (interviews with cadres in Huaiyang District, Huaizhou City, summer 2004). In a county in Guangxi Province, peasants rioted when the price of sugar cane, which the local government encouraged peasants to grow, dropped by more than half (interview with a repatriated soldier from Guangxi Province who made a living by transporting fireworks from Liuyang County in Hunan to Guangxi Province, 2002).

example, in the name of agricultural restructuring, forbade peasants to plant rice seedlings within 100 meters of the highway.<sup>112</sup>

The second model is small-town development (*kaifa xiaochengzhen*), which contributes even more to the indebtedness of some townships in Hunan. In this model, a township government tries to make a profit by monopolizing the buying and selling of land. It buys farmland from peasants, develops the land, builds infrastructure, such as roads, and then rents out office space to corporations and small businessmen. Townships hope to make a profit through the price difference between the cheap price that they pay to peasants and the higher price that they rent out to businessmen. However, many townships, due to their rural locations and small size, developed the land but failed to attract customers. Instead of making a profit, some townships incurred debt through developing its land. Dongxingyuan Town, Yuanxiang County, for example, spent more than 8 million yuan to develop its town, but only attracted about more than 3 million yuan of business by 2002, including 2 million yuan from the State's Planning Commission (*guojia jiwei*). As a result, in 2002 its cadres had not been paid for four months by October.<sup>113</sup> To summarize, in the eyes of peasants, local governments have become completely useless since the 1990s. They have become nothing but greedy grain collectors.

### **Alienation and Resentment Resulted**

As local governments stopped playing any positive role in the peasants' economic life in the age of reform, they were increasingly alienated from the peasants, who had a widespread perception that local governments and rural cadres had not done a single good thing for peasants. The failure of the local governments to help peasants

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<sup>112</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>113</sup> Interviews with cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002.

get rich, combined with heavy taxes and fees and the brutality in collecting them, led to a widespread and profound rural crisis in which peasants and local governments fought a constant battle with one another over grain collection. Peasants in almost every village complained that cadres only bothered to visit them when they needed to collect taxes and fees. They only asked peasants for money, but solved none of their problems. As a result, peasants, who were usually very hospitable, no longer welcomed cadres into their households. Neither did cadres bother to visit peasant households either other than when they needed to collect taxes and fees. The resentment was mutual. The following comments reflected the alienation and resentment between peasants and local cadres since the 1990s:

Cadres in the 1990s did not help peasants with [agricultural] production (*buguan nongmin shengchan*). Nor did they care if peasants would die or survive (*buguan nongmin sihuo*). They only demanded grain from them. In the past few years, whenever cadres came to our village, they only had three purposes. First, they demanded things (*yao jiahuo*) [from peasants]. Second, they issued subpoenas and arrested people. Third, they visited their rural relatives and village cadres. There is no longer any concept of the party mingling with the masses at ease.<sup>114</sup> Never have I seen this.<sup>115</sup> —Peasant's comment, Yuanxiang County, 2002

The relationship between peasants and cadres is confrontational. Whenever I pass by a peasant's house, the family hates that. More than 90% of villagers dislike me.—A village accountant in Huaizhou, 2001

I was afraid that my fellow villagers would scold me and label me as the running dog of the ruling class. Plus all my family members were strongly against me being a village cadre anymore. So I insisted on quitting in 1996.—An old village cadre in Huaizhou, 2001

Nowadays, it is harder for a peasant to see the director or the party secretary of a township, not to mention the mayor or the party secretary of a county than it was for him or her to see an emperor in the old days. Every township cadre, whenever (s)he comes to the countryside, dresses up in suits and wears black

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<sup>114</sup> In Chinese, the expression is “*dang he qunzhong da cheng yi pian*.”

<sup>115</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

leather shoes. They have lost contact with peasants. They do need to change their working style immediately. Otherwise they would be alienated from the masses. —A village party secretary in Yuanxiang County, 2002

The relationship between cadres and the masses should be like water and fish. When alienated from the masses, cadres cannot even move an inch (*cun bun nan xing*). However, in our village, in 1998 the town organized a meeting on how to soak seeds and cultivate rice seedlings (*jin zhong yu yang*). This was a technical meeting that could benefit peasants. However, only several village cadres and two people from the agricultural technology station showed up. Not a single peasant went to the meeting. This shows that cadres are alienated from the masses and that the masses no longer trust them.—A peasant protest leader and a communist party member, Yuanxiang County, 2002

### **Local Government Perspectives**

Peasants, being the weaker of the two in the struggle between local cadres and peasants, complained that local cadres showed no mercy when collecting grain from them. Rural cadres behaved like robbers, according to peasants. Brutality, however, was only one side of the coin of grain collection. From the perspective of local cadres, the problem with grain collection was the opposite: the central government constrained local governments with its policies favoring peasants without solving the financial problems of the local governments. As a result, local governments lacked forceful means to make peasants comply with their tax duties. Rural public finance crumbled as a result of the weakness of the government, which then had debilitating effects on local governments.

The central government and local governments had conflicting interests and views on rural taxes and fees. While the central government was worried about rural stability more than anything else, local governments cared mostly about their own finances. The central government wanted to placate peasants, whereas local governments wanted to collect taxes and fees from them. According to local government officials, if the central government wanted to lower peasant burdens, it

should either change the shared-tax system so that local governments got a larger share of the national revenue or the central government should increase money transfers to local governments. Lowering peasant burdens without solving the fiscal problems of the local governments only helped to erode the legitimacy and the authority of local governments further, as the central government kept promising peasants economic rights which the local governments could not deliver. Thus, in the conflicts between peasants and local governments, the central government repeatedly sided with peasants, rather than the local governments. This could be seen through local government reactions toward agricultural policies issued by the central government.

Since the late 1980s, the central government had been issuing a series of documents and policies lowering peasant burdens, regulating the types of taxes and fees local governments could collect from peasants, and forbidding local governments to use force while collecting grain from them. Local cadres think that these policies empowered peasants and strained rural public finances because they made grain collection difficult. These policies also showed that the central government has overestimated the quality of peasants. The actual peasants were cunning, selfish, and practical. They would use every opportunity to evade taxes and fees and would have preferred not to turn in a penny to the state. These policies gave peasants the power to resist heavy burdens and limited local government ability to use the oppressive force of the state apparatus in grain collection. These policies, however, did not try to relieve the financial plight of the local governments, which lay at the root of many of the problems in the countryside. Local governments thus were in a very difficult situation. On the one hand, they faced increasingly rebellious peasants who refused to turn in taxes and fees and a central government that cracked down on predatory behavior of local governments. On the other hand, their fiscal crisis and their bloated

size forced them to continue to collect taxes and fees from peasants. As it became increasingly difficult to collect grain, as the conflicts between peasants and cadres grew daily, as it became more and more difficult for local cadres to receive their salaries, and as rural public projects crumbled, the frustration of local cadres mounted.

Local cadres complained bitterly about all central policies that empowered peasants and made grain collection difficult, particularly the policy issued by the central government in 1998, which forbade local government to confiscate peasant property or to coerce them in grain collection. According to local cadres, this policy, shortened as “7 forbids and 8 must-nots,” deprived them of the most important tool in grain collection: state repression. Faced with recalcitrant peasants who refused to turn in taxes and fees, rural cadres could do nothing but try to convince peasants through persuasion and political thought work, which did not work all the time. As a result, rear taxes and fees were piling up in almost every village, as those peasants who had accumulated several years of rear taxes and fees were not subject to any punishment, legal or otherwise.

Other than the “7 forbids and 8 must-nots,” the local cadres’ complaint list included the three rural policies introduced in 1998, which abolished the procurement grain quota, forbade grain stations to deduct taxes and fees from peasant grain sales, and empowered peasants to resist unreasonable taxes and fees and examine village accounts.<sup>116</sup> While peasants all welcomed these policies, many moderate local cadres argued that these policies disposed many rural problems by cutting the foundation of

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<sup>116</sup> To avoid having to collect grain household by household, some townships attempted to ask grain stations to continue to deduct peasant taxes and fees from their grain sales in 1998. To this demand grain cadres retorted: “Are you bigger or is Zhu Rongji bigger than you?!” (“Bigger” means more important in the local dialect.) Townships, however, did resume the practice in a few years, for peasants would not pay taxes and fees on their own. By this time, however, peasants had already broken their habit of bringing grain to grain stations. Interviews with peasants and rural cadres in Huaizhou, Yuanxiang, Sishui, and Zizhou, 2001-2003.

rural public finance: heavy taxes and fees from peasants. More radical views from local cadres argued that these three policies completely ruined the rural situation and made it hard for local governments to govern. Having to collect grain from individual peasant households enabled peasants to decide whether to pay taxes or fees or not. Examining village accounts very often led to the uncovering of village corruption, which then enraged peasants, caused them to resist paying taxes and fees, and in some cases led to organized protests against heavy burdens. Peasants easily expanded the right to resist unreasonable taxes and fees to resist even reasonable and legitimate taxes and fees. For example, they sometimes even refused to turn in the agricultural tax. All in all, the rural situation started to unravel in the late 1990s. A profound crisis was looming. Instead of examining their own problems, local cadres blamed the central government for causing this rural crisis. In the words of a local cadre, “Zhu Rongji has made a complete mess in the countryside.”<sup>117</sup>

Local cadres also complained bitterly about the central policy of the temporary stop to collecting rear taxes and fees (*zan shou wei qian*), which was part of the rural tax-for-fee reform carried out in 2002.<sup>118</sup> Townships and counties depended on these rear taxes and fees for their public finances. Further, they were worried that if peasants knew that they did not have to turn in rear taxes and fees, those who did not owe their local governments any rear taxes or fees might even demand that the governments return their money. Some cadres complained bitterly, “When we temporarily stop collecting rear taxes and fees, we also need to temporarily shut down local governments.”<sup>119</sup>

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<sup>117</sup> Interviews with township cadres in Zizhou County and Yuanxiang County, 2001-2002. Zhu Rongji became China’s premier in 1998.

<sup>118</sup> See chapter 7 for a detailed discussion of the rural tax-for-fee reform.

<sup>119</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

Local cadres were much closer to peasants than cadres at higher levels. Village cadres were actually peasants. They lived with peasants. Township cadres, though mostly sitting in their offices in the township government compound, had to interact with peasants and visit the countryside from time to time. Compared to village and township cadres, county cadres were already somewhat removed from peasants, rarely dealing with them directly. Rather, they governed the countryside through interacting with township and village cadres. Still, their work mostly dealt with the countryside and peasants, rather than the city or city residents. Furthermore, many local cadres grew up in the countryside, worked in the countryside, and had relatives in the countryside. More than any other cadre, local cadres understood peasants, their lives, their difficulties, and their struggles the most.

Still, local cadres were also the ones who were significantly tougher on peasants and occasionally ruthless toward them than cadres at higher levels. Togetherness, therefore, did not lead to mutual sympathy between peasants and local cadres. Rather, the conflicting interests of the two made them enemies. The confrontation of the two was only made nastier as the two knew each other well. In the words of village cadres, the confrontation between peasants and local cadres over taxes and fees was no longer “contradictions within the people” (*renmin neibu maodun*), but a contradiction “between enemies” (*diwo maodun*). The relationship between the two was like that of “water and fire,” i.e., the existence of one meant the destruction of the other. While peasants emphasized the brutality, greed, corruption, nepotism, arrogance, and unchecked expansion of the local bureaucracy, local cadres treated peasants as selfish and uncivilized brutes, who were myopic and extremely pragmatic, ready to grab any benefit they could get and to shrug away their basic tax obligation toward the state at any moment. Asked why a village or a township should care so much about collecting a few thousand yuan from a village, a town official

answered, “It is not a question about a few thousand yuan. It is a matter of citizenship. Paying taxes is the basic obligation of a citizen. [When peasants refuse to pay taxes], they themselves have become the state” (*ta ziji jiushi guojia le*).<sup>120</sup>

### Conclusion

This chapter has explained how rural cadres collected taxes and fees and distributed them among counties, townships, and villages in the 1990s and why the rural public finance crumbled in 1998. Collecting grain from millions of peasants scattered in the countryside was relatively easy before 1998, as taxes and fees were automatically deducted from the grain sale when peasants sold procurement grain to the state. Once village cadres collected rural taxes and fees, they first had to make sure that the township’s financial needs were met. Townships in turn had to turn over the county’s portion of rural taxes and fees before they could take care of their own financial needs. This process was done through each layer of the local government turning over taxes and fees and thus clearing its account with its immediate leader. The distribution of rural taxes and fees among the three levels of the local government (counties, townships, and villages) reflected both the severe downward fiscal pressure within the bureaucratic system in the 1990s and the top-down nature of the political system in China.

This system of rural public finance that was based on heavy taxation of the peasantry then crumbled in 1998, due to a series of rural policies issued by the central government that empowered the peasants and constrained the local government. These policies abolished the procurement grain quota, forbade the local government to deduct taxes and fees from peasant grain sales, abolished many rural taxes and fees, and capped peasant burden levels at no more than 5% of their net annual income in

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<sup>120</sup> Interview with a young cadre in Dongxingyuan Town in Yuanxiang County, Oct. 2002. His phrase in Chinese was “*ta ziji jiushi guojia le*.”

1997. They also gave peasants the right to resist unreasonable burdens and to fight village corruption. These policies encouraged peasant resistance against heavy taxation. More importantly, they enabled peasants to carry out all kinds of bargains with the local government over whether, how much, and when they would pay their taxes and fees. Peasants started to default or delay paying their taxes and fees on a large scale. Through the contagion effect, one peasant family not paying taxes and fees could quickly lead to many households in the same village to follow suit. When village corruption scandals broke out, many more peasants became united in refusing to turn in taxes and fees. As a result, starting from 1998, peasants accumulated a staggering amount of rear taxes and fees toward their local governments. The collection rate plunged, the grain flow from peasants to the local government stopped, and rural public finances crumbled.

Once rural public finance crumbled, townships and villages, particularly the latter, suffered. Unable to collect as much as they should from the peasants, townships and villages could not pay their cadres salaries, had to take on more debt, and could not provide services. Because the local government depended on the grain collected from peasants for its survival, it tried all kinds of means to collect rural taxes and fees. It put pressure on its cadres. It assigned each rural cadre a quota of taxes and fees. It linked the payment of rural cadres' salaries and promotions with their ability to collect taxes and fees. It made county cadres responsible for their rural relatives' tax payments toward the local government. The local government also put pressure on peasants. It tried to shame them. It withheld government services from those peasants who did not pay their taxes and fees. Finally, it organized work teams and often used brutal and illegal means to collect taxes and fees from peasants.

Empowered by central policies and driven by their declining income, peasants started to resist heavy burdens in the 1990s. Constrained by their fiscal plight and their

ever expanding size, yet determined to survive, local governments used all that they could to collect taxes and fees. Thus, peasants and local cadres were heading toward confrontations that sometimes turned deadly. The harmonious relationship in the 1980s where peasants warmly welcomed local cadres to their houses to drink tea and have meals was no more. The countryside was ripe for open and often bloody contention.

## CHAPTER 5: PEASANT PROTEST IN NORTHERN HUNAN

Grievance lies at the bottom of the deep sea and there is nowhere to seek justice. In the end, the merciful heaven will deliver us the “garden of peach blossom.”<sup>1</sup>—a couplet written by a peasant in Hunan

The previous four chapters have explained why and how the fiscal crisis and bureaucratic expansion of local governments in Hunan in the 1990s led to the emergence of the local predatory state. This chapter and the next one uncover patterns of peasant resistance against the local predatory state by comparing three cases of sustained and organized peasant protest with one case of peasant acquiescence. In addition, the three cases of peasant protest are compared among themselves. It is argued that in order for peasants to carry out protest, peasant leaders had to emerge. Peasant protest was more successful when there were more leaders and when peasants were more militant and better organized.<sup>2</sup> Finally, though widespread, peasant protests were limited to pockets of rural radicalism; they usually could not spread beyond the limit of one township.

### Primitive Rebels

As the local government in Hunan became increasingly predatory in the 1990s, many peasants, particularly those in lake areas, used what Albert Hirschman (1970) calls the “exit” strategy. They abandoned the farmland, preferring to seek a precarious

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<sup>1</sup> “The Garden of Peach Blossom” or *tao hua yuan* stands for a peasant utopia. A peasant in Changtang Town wrote this couplet. It does not really rhyme. In Mandarin, the expression is *yuan chen hai di wu chu su, zui hou tian bei luo tao yuan*.

<sup>2</sup> Some scholars on contemporary Chinese politics argue that militancy of a protest leads to state repression and thus failure of a protest, rather than success. For example, in *China’s Water Warriors* (Ithaca, NY: Cornell University Press, 2008), Professor Andrew Mertha argues that when they became large-scale and militant, protests against dam construction in China were the least successful.

living in cities than tilling the land and bearing the heavy burdens. Not every peasant could migrate to cities, however. Those who remained in the countryside resorted to what James Scott (1985) calls “weapons of the weak.” In almost every village in Hunan, peasants carried out everyday forms of resistance against heavy burdens. Some locked their doors and walked away when they saw cadres coming. Some scolded cadres whenever they saw them in villages, calling them dead ghosts. Some threw firecrackers at them. Some engaged in fist fights with cadres who came to scoop up the peasants’ grain. A widespread tact used by peasants since 1998 was to bargain with cadres over whether, how much, and when they would pay their taxes and fees.<sup>3</sup> In the most extreme case, peasants resorted to the ultimate and extreme form of daily resistance: committing suicide by drinking pesticides or drowning themselves in a pond, thus creating a “bloody peasant incident” (*xue nong an jian*), a phrase often used in government documents and news reports on peasant burdens.

Such an incident almost always triggered tax riots. Relatives and fellow villagers, dozens or hundreds of them at a time, would march to the township government, carrying the corpse with them. They would encircle and attack (*wei gong*) the township, demanding financial compensation for the victim’s family. Occasionally they would ransack the township government office, burning and looting it. Although a peasant’s death during grain collection often caused peasant tax riots, it was not the only reason. Peasant tax riots could happen for the mere fact that burdens were heavy and that peasants felt aggrieved over them.

While everyday forms of peasant resistance against heavy burdens targeted township and village cadres who came to their house to collect grain and money, tax riots usually targeted the township government. Only in rare cases did tax riots target

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<sup>3</sup> See “Part II: Things Fall Apart” in chapter 4 for details.

county government. Tax riots relied on kinship and village ties. As a result, it was hard for tax riots to expand beyond one village or several villages. Furthermore, tax riots, though violent and destructive, disappeared as rapidly as they arose, lasting between a few hours to no more than a few days. As a result, despite widespread tax riots in Hunan in the 1990s, peasants were unable to exert a long lasting effect on the rural situation through these riots.

Everyday forms of peasant resistance against heavy burdens and tax riots were two different types of peasant resistance. The former centered on individual peasant families, whereas the latter relied on family, kinship, and village ties. The former targeted the township and village cadres. The latter targeted the township government. However, both forms of resistance shared some common characteristics. Both were spontaneous, chaotic, sporadic, and short-lived. Neither had any leadership, formal organization, or elaborate coordination. In other words, there were “archaic forms of social movements” carried out by “primitive rebels” (Hobsbawm 1959).

Primitive rebels could be potentially very disruptive. Individual peasant defection on a large scale could even bring down an army or an empire, which occurred during the Russian revolution (Pipes 1990). There was no doubt that widespread peasant refusal to pay taxes and fees since 1998 played an important role in the implementation of the rural tax-for-fee reform in 2002, which finally abolished the agricultural tax in 2006. As more and more peasants refused to pay taxes and fees since 1998, it became increasingly difficult for townships and villages to come up with the money to clear their accounts with counties.<sup>4</sup> Though each layer of the Chinese government was supposed to be responsible for all its expenditures, the fiscal plight of the local government obviously had implications for the entire system. This sent a

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<sup>4</sup> See the section entitled “Step Three: Grain Flow and Clearing Accounts” in chapter 4 for details.

strong signal to the central government, which it simply could not afford to ignore, if it still wanted to have a well-functioning local government. Thus, the fiscal plight of the local government gradually travelled along the bureaucratic ladder and affected higher levels of government. Peasant refusal to pay taxes and fees since 1998 may have pushed rural public finance to the point where the central government had no option but to carry out the rural tax-for-fee reform, which made it possible for local governments to collect less from peasants because of money transfers from the central government. Tax riots also increased the elite's sense of rural instability.

Nevertheless, everyday forms of tax resistance and tax riots in Hunan did not pose much of a political danger to the government. As “primitive rebels,” the peasants' ability to improve their lot was limited. Had peasants only engaged in these two forms of resistance, the central government might as well have responded to the rural financial crisis by strengthening its rural tax laws, exercising the state power in a more determined way, and forcing peasants to continue to pay heavy taxes and fees after 1998. Many local cadres actually would have liked the central government to do precisely this, rather than carrying out the tax-for-fee reform. The reform, while relieving peasant burdens, also tried to streamline the local bureaucracy and deepened the fiscal crisis of the local government.<sup>5</sup> What the central government feared most were sustained and organized peasant protests that did take place in Hunan and other grain-producing provinces in the 1990s. Given the fact that China remains a largely agrarian society in spite of its economic miracle in the past two decades and that it has

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<sup>5</sup> The transfers from the central government were significantly smaller than the taxes and fees that the local government used to collect from peasants. See chapter 7 for details.

a long tradition of dynasties overthrown or significantly crippled by peasant rebellions, this fear was not unfounded.<sup>6</sup>

### **Research Questions**

Under what conditions could peasants succeed in carrying out sustained and organized protests? Specifically, why did peasants protest in some places, but not in others? Why were some peasant protests more successful than others? How far could peasant protest diffuse from the protest center? A protest center is defined as the village where a protest originated. Success is measured by the amount by which taxes and fees were lowered as a result of peasant protest.

### **Case Selection and Data**

To answer these three questions, this chapter will study in detail peasant protest in Changtang Town and in Cangyuan Town. Both towns are located in Yuanxiang, a hilly county in northern Hunan. The two cases are selected for the following three reasons:

First, what is fascinating about the two protest events was that they both ended with a massive riot on exactly the same day: January 8, 1999, forcing the county government to deal with two crises at the same time.<sup>7</sup> The county's Party Secretary was in charge of placating peasants in Changtang Town, whereas the Mayor was assigned to quell down peasants in Cangyuan Town. The fact that the county had to

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<sup>6</sup> See, for example, Lucien Bianco, *Peasants without the Party: Grassroots Movements in Twentieth-Century China* (Armonk, NY: M. E. Sharpe, 2001) and Elizabeth Perry, *Challenging the Mandate of Heaven: Social Protest and State Power in China* (Armonk, NY: M. E. Sharpe, 2002), chaps. 1-4.

<sup>7</sup> This does not mean that the two protest events took place on exactly the same day. Each case lasted for about three years. Only toward the very end did the two turn into massive tax riots on exactly the same day.

send troops and policemen to Changtang Town and guard the county government compound made it possible for peasants in Cangyuan Town to ransack the town government office and set it on fire. Thus, the protest events in Changtang and Cangyuan best depicted a picture of an embattled local government besieged by angry peasants, signifying the profound political crisis that rural China faced in the 1990s.

Second, the peasant burden level in Changtang and Cangyuan was similar. Both town governments also faced exactly the same problems studied in the previous four chapters. Yet, protests in the two towns varied. The Changtang protest was a well-known and large-scale event, whereas the Cangyuan protest was a little known and small-scale event before it erupted into a huge riot that lasted 4 days. The Changtang protest was more successful than the Cangyuan protest. The forms of the two protests also varied. Thus, the selection of the two cases follows the logic of a “most-similar-systems” research design (Przeworski and Teune 1970). Identical structural factors provide a controlled environment which enables the researcher to isolate non-structural factors that cause protests to vary.

Finally, the first protest event received media attention all over the world and has been discussed, though not in detail, by other authors. The second one, however, remains mostly local knowledge and has not been studied as yet. A detailed study of the two cases will increase our understanding of peasant protest in China in the 1990s, enabling us to answer not only why peasant protested in some places, but also why these protests varied.

All the materials involving the two cases were based on the author’s interviews with ordinary peasants, peasant protest leaders, and their relatives in northern Hunan in 2002. The author stayed in Xujiaba Village, which was the center of the Changtang protest for two nights and three days in October 2002. She interviewed the wife, sister, and brother-in-law of Guo Weiguo, the most prominent leader of the Changtang

protest. She also interviewed ordinary peasants. To know how leaders in different villages communicated with one another and coordinated their burden-reduction efforts, she went to a nearby village, called Sanyi, and interviewed a peasant leader for several hours. She then went to Shuangdu Village, which was the center of the Cangyuan protest and stayed there for one night and one day. She interviewed the wife and relatives of Duan Xiaofeng, one of the three peasant leaders who died tragically during the protest. She also interviewed peasants and a retired town cadre who played an important role in placating peasants and dispersing the peasant crowd in the massive riot. Peasants in both interview sites allowed the author to tape them.<sup>8</sup> However, not all conversations between the peasants and the author were taped.

### **Case One: The Changtang Protest (1996-1999)**

Changtang is a typical town in the hilly county of Yuanxiang in northern Hunan. It has more than 50,000 peasants, which is a medium-sized town in Hunan.<sup>9</sup> The town took its current shape when three small townships were consolidated into Changtang Town in 1995.<sup>10</sup> Just like almost every town in Central China, Changtang Town is heavily in debt. The town does not have a single profitable township or village-owned enterprise (TVE) because its rural collective economy collapsed under the double pressure of competition and corruption in the 1990s. The only thing special

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<sup>8</sup> Peasants allowed the author to tape them for two reasons. First, the author speaks their dialect because she grew up in the area, so the peasants trusted her. Second, the author carried an official letter of introduction from Qinghua University.

<sup>9</sup> All the materials on the Changtang protest were based on the author's interviews with a group of peasants, Guo Weiguo's wife, his sister, his brother-in-law, the brother-in-law's wife in Xujiaba Village, Changtang Town and with Zhang Xiuyuan, a protest leader in Sanyi Village, Changtang town, October 2002.

<sup>10</sup> See section "Power of the Local Government and Two Central Policies Gone Awry" in chapter 2 for a detailed discussion of the policy of "abolishing rural districts, consolidating townships, and establishing towns" and its impact on township public finance.

about the town is that it is located on the edge of the county and it borders the three counties of Jianglu, Yuanxiang, and Zizhou. It is closer to Jianglu City and Zizhou City—two major cities in Hunan—than to its own county seat. It lies about 100 *li* away from the county seat of Yuanxiang and several dozens of *li* away from the city of Zizhou and the city of Changsha, which is the provincial capital.<sup>11</sup> In the 1990s, its peasants needed to pay about 80 to 100 yuan of taxes and fees per *mu*, which was average for a hilly area (table A.19). Though heavy, the burden level was actually significantly lower than the level in counties near Dongting Lake, such as Nanxian, Yuanjiang, or Jinshi. This, however, was an accident of topography. As explained in chapter 3, peasant burdens in lake areas were much heavier than those in hilly and mountainous areas.

### **Overview of the Protest**

The Changtang protest lasted three years (1996-1999). It started in 1996, when a peasant in Xujiaba Village, called Liu Aimin somehow acquired central policy documents which demanded that the local government lower peasant burdens, and he decided to distribute them among his fellow villagers. Liu's action soon encouraged other peasants to start advocating burden reductions. Altogether, about ten peasants from across the town emerged on their own as leaders, all of whom were men, most of them old men in their late 50s and 60s. Most were also communist party members. Guo Weiguo, a middle-aged peasant with a high school diploma became its most prominent leader. His village, Xujiaba, became the protest center. Peasant leaders in Changtang did not establish any formal or informal organization. They called

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<sup>11</sup> “*Li*” is the unit of measurement for distance in China. One *li* is half a kilometer.

themselves burden-reduction “volunteer propagandists” (*yiwu xuanchuanyuan*).<sup>12</sup> They mobilized peasants through advocating burden-reduction policy documents in various means, such as holding meetings, writing slogans, and broadcasting documents.

The protest was civil. The highlight of the protest was a mass meeting held on June 8, 1998 inside the town government compound. About 7,000 to 8,000 peasants attended the meeting. Peasants sat quietly, while their leaders read out loud policy documents on lowering peasant burdens and discussed their recent petition trip to Beijing. The protest was suppressed on January 8, 1999, the day when peasant leaders planned to organize another mass meeting. Though influential, the Changtang protest was confined to one town. Changtang’s peculiar geographical location would have made it an ideal place for peasant protest to spread to a large area. The fact that it did not showed that peasant protest in the 1990s, though widespread, was local, a pattern that was repeated in the other two cases studied in the dissertation.

In summer 1999, Guo Weiguo was set up by his uncle, lured into the city of Jianglu, and apprehended by plaintiff public security officers. The local government sentenced Guo to 6 years in prison. Once their leaders were jailed, peasants were subdued and the protest collapsed quickly. Peasant burdens increased, as the local government sent work teams to collect grain that peasants refused to turn in during the protest. Without their leaders, peasants again resorted to quarrels, scuffles, and riots. There was no longer any organized protest.

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<sup>12</sup> This was the phrase that Guo Weiguo used in a one-page pamphlet that he wrote on January 9, 1999, one day after the January 8 incident in which tear gas killed one old man and completely destroyed the face of one woman. This author acquired the pamphlet from Guo’s wife during the field trip.

## **How It Started**

In spite of their grievances against heavy burdens and rampant corruption surrounding the consolidation of townships in 1995, peasants in Changtang Town dutifully turned in all their taxes and fees until 1996, when a peasant in Xujiaba Village, called Liu Aimin, somehow acquired central policy documents on lowering peasant burdens. According to the documents, peasants needed to turn in reasonable burdens. However, they had the right to resist unreasonable ones. They also had the right to audit village accounts. Liu decided to start popularizing these documents among his fellow villagers. A burden-reduction protest thus began.

Liu was in his early to mid 40s in 1996. His father was a retired village party secretary. Thus, Liu had access to village accounts and knew how many taxes and fees each peasant family turned in, which enabled him to gather evidence about the extra amount of taxes and fees charged by the local government. Liu started to oppose all unreasonable taxes and fees, high tuition, and the education surcharge levied on rural students. He also demanded that peasants should audit village accounts and that the local government should fight corruption. Both were rights granted to peasants by the central policy documents. Liu organized burden-relief meetings in peasant homes. He soon mobilized all peasants in Xujiaba Village, which remained the center of the protest.

To strengthen the protest, Liu turned to a fellow villager and a good friend called Guo Weiguo, who was then working for his uncle in Jianglu City. Guo Weiguo and Liu Aimin were about the same age. Unlike Liu, however, Guo had a high school diploma, the highest degree that a peasant in China can achieve before (s)he stops being a peasant. Though rather common among young peasants nowadays, a high school diploma is rare among middle-aged or old peasants. Middle-aged peasants with a high school diploma belong to the intellectual elite in the countryside. Peasants

consider them to be highly educated and cultured. Guo was making more than 1,000 yuan a month then, which was a good wage for a migrant peasant worker. Still, he gave up his job and returned to his village to carry out the protest.

After successfully mobilizing peasants in Xujiaba Village, Liu, however, abruptly quit the protest. Liu faced severe pressure from Jianglu Prefecture, the county, and the town, which sent dozens of cadres to visit his house five or six times, trying to persuade him to stop leading the protest. Liu refused at first. However, after the town tried to arrest him, he suddenly decided to switch sides. In the words of one peasant, “It was just like a car making a sudden 180-degree turn. He decided to side with cadres instead.”<sup>13</sup> Peasants spread rumors that Liu got an interest-free loan of 100,000 yuan from the town government and was only written a receipt for 60,000 yuan. The town also appointed his father, an old man in his late 60s, to be the village party secretary for one term (1999-2002), though he retired from that position more than ten years ago. When Liu’s mother became paralyzed after a stroke, she was made to eat the “five-guarantee grain” (*chi wu bao*), even though she had three sons.<sup>14</sup> After Liu quit, Guo Weiguo started to lead the protest. He refused to be co-opted by the local government, even though it promised him any kind of job and any kind of favor as long as he quit leading the protest. Guo mobilized peasants and sustained the protest until it was suppressed on January 8<sup>th</sup>, 1999.

In addition to the protest that Liu Aimin started in Xujiaba Village, Lin Zhiqiang, an old peasant in his 60s in the same town started his own burden-reduction effort in his village that was more than 40 *li* away from Liu’s village. The two burden-

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<sup>13</sup> Interview with the brother-in-law of Guo Weiguo in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

<sup>14</sup> Only old peasants with no sons to support them could enjoy rural pensions in Hunan in the 1990s.

reduction protests in the two villages were not coordinated until Liu Aimin quit the protest and Guo Weiguo became the most prominent leader.

### **Peasant Protest Leaders**

Altogether around 10 peasants emerged on their own as leaders during the Changtang protest. Everyone was a man. Most were middle-aged or old peasants. Even though he did not start the protest, Guo Weiguo became the most prominent leader. His village became the protest center. This was because Guo Weiguo had one quality that other leaders lacked. He had a high school diploma. His education gave him a good command over language, which enabled him to write reports (*bao gao*), petition letters, and pamphlets with eloquence, to make public speeches with persuasion, and to interpret central documents and policies for peasants. According to Guo Weiguo's sister, "Without him [meaning Guo Weiguo], they [other leaders] could not have carried out the protest. They needed his cooperation, because only he could write this kind of stuff."<sup>15</sup> According to Guo's wife, "He [Guo Weiguo] did not organize or recruit the other leaders. Rather, they came to my house and asked for his help. They needed him to interpret questions [about the documents]."<sup>16</sup> Education and literacy thus played an important role in producing peasant leaders (Hobsbawm 1974).

All peasant leaders in the Changtang protest and in the two other cases studied in this dissertation were men. Peasants in Hunan, much more than the local government that governs them, have remained quite patriarchal. The traditional divide of labor between a man working in the public arena and a supportive woman staying at home was obvious in these cases of peasant protest. Peasants took it for granted that

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<sup>15</sup> Interview with Guo Weiguo's sister in Xujiaba Village, Oct. 2002.

<sup>16</sup> Interview with Guo Weiguo's wife in Xujiaba Village, Oct. 2002.

leading a protest was a man's affair and not a woman's. Though their women supported their burden-reduction activities and were therefore part of the leadership, both the leaders and their wives thought that women had nothing to do with these protests. This mentality explained why in the Qizong case studied in the next chapter, peasants became particularly enraged and marched to the township government when the local government arrested the wives of the leaders.

With the exception of Zhang Xiaowei who was in his early 20s, all leaders in the Changtang protest were either middle-aged peasants in their 40s or old peasants in their 50s or 60s.<sup>17</sup> Though both Liu Aimin, who started the protest in Xujiaba Village, and Guo Weiguo, who became the most prominent leader of the protest, were middle-aged, there were more old leaders than middle-aged ones. Many protests against heavy taxes and fees in Hunan in the 1990s were led by old peasants in their 60s or even their 70s. Almost none was led by young peasants. Some were led by middle-aged peasants. There were several reasons for such kind of age distribution among leaders. First, most young and middle-aged peasants had left villages to work as migrant workers in cities. Only old peasants had been staying in villages to take care of their grandchildren. Second, unlike young and middle-aged peasants, old peasants did not have to raise young children because their children had all grown up. Thus, they could devote all their time and money to burden reduction. Third, in general it was harder for middle-aged peasants to find jobs in cities than for young peasants. Though both age groups were constantly looking for jobs in the cities, middle-aged peasants were more likely to stay at home from time to time when they did not succeed in finding a job.

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<sup>17</sup> The definition for young and middle-aged people, of course, varies in different societies and among different classes. A person in his or her 50s may be considered middle-aged rather than old in the United States or among intellectuals in China. Peasants in China, however, tend to get married and have children at a younger age. Middle-aged peasants are those with teenage children. Old peasants have grandchildren. Young peasants either have no children or very young children.

Middle-aged peasants also had school-attending children, who had to pay high tuition and high education surcharge, two fees that made the burden level of these peasants even heavier than that of those without school-attending children, which was already extraordinarily high.

Because old peasants grew up before 1949 when education was the right of the privileged few, most of them were not well-educated. Most did not have a high school diploma. Middle-aged peasants, on the contrary, grew up under socialism in the 1950s and 1960s when education was free. Hence, some of them had a high school diploma.<sup>18</sup> A high-school diploma, as mentioned above, was the key to the position of the most important leader, which was taken by the most articulate peasant. This crucial difference between old and middle-aged peasants determined that when peasant leaders came from mixed-age groups, the most prominent leadership role was usually played by a middle-aged peasant with a high school diploma, rather than by an old peasant.

### ***Biographical Sketches of the Leaders***

To understand who these peasant protest leaders were other than their age, gender, and education and why they decided to lead the protest, let us now look at the biographical background of four peasant leaders in Changtang.

**Guo Weiguo**, the most prominent leader of the Changtang protest, was an inspiring public speaker, a good writer, and a charismatic leader. He commanded respect among peasants. He was a communist party member and a team head.<sup>19</sup> He

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<sup>18</sup> Even among middle-aged peasants, a high school diploma is still rare. Though education was almost free under socialism, the access to education was limited, particularly at high school and college level. Most peasants could not score enough points in entrance exams to be admitted to a high school.

<sup>19</sup> The team is one level below the village. See “the Party-State and Common Characteristics of Leaders” in this chapter for details.

served in the military for a few years in his 20s. Guo was a public-spirited man and a man with principles. While in the military, Guo spoke out against theft of military equipment organized by a leader in his unit. When he was a team head, he built the only small irrigation project in the entire Changtang Town in 1998.<sup>20</sup> To irrigate land, he had cement bricks built along the walls of a huge pond owned by the team.<sup>21</sup> The project cost the team more than 1,000 labor days and more than 10,000 yuan.<sup>22</sup> Guo quit a relatively well-paid job in Jianglu City to lead the protest, even though nobody in his family wanted him to get involved. Guo's wife and sister described him:

He is willing to sacrifice anything for the masses (*qun zhong*). The production team wanted him to be the head of the team. He was willing to give others whatever he had. He is a good man.—Guo's wife, Oct. 2002

He wants to set himself as a model (*yi shen zuo ze*). He is willing to sacrifice the interest of his own small family (*xiao jia*) and work for the common interest of the public (*da jia*). He is sympathetic toward those who are poor. He does not attend to (*mao guan*) his wife, his household, or his parents. He has no concept of the small family. He has a unique character.—Guo's sister, Oct. 2002

Guo's education was crucial in turning him into the most effective and influential protest leader. Guo could write eloquent and inspiring pamphlets and petition letters, whereas other leaders could not. Liu Aimin recruited him precisely

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<sup>20</sup> Guo was a team head from 1997-1999. Interview with Guo's brother-in-law in Xujiaba Village, Oct. 2002.

<sup>21</sup> The pond covered an area as big as dozens of *mu* of land, which was unusually large. Guo and other peasants built a brick structure that was as high as 3 meters along the walls of the pond so that it would not collapse under the weight of water.

<sup>22</sup> To punish Guo for leading the protest, the village did not give his team a penny of the poverty-relief fund that it received from higher levels of the government, whereas those teams that did not build any irrigation projects or roads did receive some money. To finance the irrigation project, Guo Weiguo contracted out the pond to a peasant, who paid more than 10,000 yuan for the right to use the pond for six years. In the countryside in Hunan, usually a contract lasted only for three years, rather than six. Guo doubled the length so that the team could receive more contract fees (*cheng bao fei*).

because Guo was a good writer and a good public speaker. Guo's wife explained Guo's ability to lead the protest:

He knows how to write a few characters (*hui xie ji ge zi*). He has a high school diploma and he is more educated than others. He is a cultured person (*wenhua ren*). The others did not know how to write these kinds of stuff... They needed his cooperation. Otherwise they could not carry out the protest.

**Lin Zhiqiang**, an old peasant leader in his 60s, was also a team head. As mentioned above, he lived more than 40 *li* away from Guo Weiguo and he was one of the two peasants who started the protest. He grew a long beard, vowing that he would never have it cut until peasant burdens were lowered. So, every peasant in the town recognized him as the "Bearded Old Man."<sup>23</sup> Among all the leaders, Lin Zhiqiang resembled a "professional rebel" the most. In the words of peasants, Lin "spent all 4 seasons in a year advocating [lowering peasant burdens]."<sup>24</sup> His children had all grown up and he devoted all his time, energy, and quite a lot of his own money popularizing central policy documents on lowering peasant burdens. He bought a recorder and a loud speaker and recorded these documents. Whenever and wherever a rural market was held (*gan ji*), he played recordings of these policies to the large number of peasants attending the rural market,<sup>25</sup> which in today's China still looks very much like what was depicted by Skinner in his classic works (1964-1965). The market still

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<sup>23</sup> He had to have his long beard cut when the local government started cracking down on the protest in 1999.

<sup>24</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Oct. 2002.

<sup>25</sup> A rural market is held regularly, rather than daily. It attracts a huge crowd of peasants. It is where goods are bought and sold, where news and gossip circulate, and where many services, such as entertainment and even marriage proposals are provided. See Skinner, "Marketing and Social Structure in Rural China, Part I," *Journal of Asian Studies* 24, no. 1 (November 1964): 3-43; Part II, *Journal of Asian Studies* 24, no. 2 (Feb. 1965): 195-228; Part III, *Journal of Asian Studies* 24, no. 3 (May 1965): 363-399.

attracts a huge crowd of peasants from within 10 *li*.<sup>26</sup> Thus, broadcasting central policies in a rural market was the most efficient way to disseminate these policies among peasants. After mobilizing peasants in such way, Lin organized burden-reduction meetings. He also specialized in traveling to different villages and linking with other leaders. Whenever a peasant stepped out and decided to become a leader, Lin would visit him and invite him to petition higher levels of the government together.

**Zhang Xiuyuan** was another important peasant leader in his 50s. He had more in common with Guo Weiguo than any other leader.<sup>27</sup> Just like Guo Weiguo, he was also a communist party member, a team head and he also joined the military when he was young. Similar to Guo Weiguo, Zhang was a public-spirited person. While he was the team head, he helped install several electric pumps (*dian pai*) so that water could be elevated and the land of his team could be irrigated. Zhang was a loyal communist party member who deeply believed in the party-state. He got numerous awards in his life. He was elected as an outstanding party member (*youxiu dangyuan*) and as a party representative (*dang daimiao*) of the town for many years. He described himself as someone who cared about others, a motivated person, and “a man belonging to the era of Mao Zedong and growing up in the era of Mao Zedong.” In his own words,

I was born before 1949 and I lived through poverty and misery (*ku rizi*). I want the whole county to be strong. I also want our local peasants to have a good life. It is not a good life if only one family is enjoying a good life. It is only a good life if everyone has a good life. It is only a good life if the country is strong... I have a full house of certificates of award that I have received in my

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<sup>26</sup> A rural market in Hunan usually attracts peasants from within 10 *lis*. This author once traveled through central Hunan in a motorized vehicle when a rural market was held. Because of the crowds, the vehicle had to literally come to a stop and only moved out of the rural market with a glacier-like speed.

<sup>27</sup> Because Zhang Xiuyuan was the only peasant protest leader in Changtang Town whom I interviewed directly, his biography was longer than others. When I visited Xujiaba Village in 2002, both Guo Weiguo and Liao Minjun were still in prison, and Lin Zhiqiang was still in hiding.

life. For the party and the people, I have done many things and made many contributions. I was once in the military and I am a highly motivated person. No matter what I do, I do not want to lag behind... I encourage the masses to rely on themselves (*zili gengsheng*) and to beautify the local area (*meihua difang*). I have always wanted to accomplish whatever task the people have asked me to do.<sup>28</sup>

Zhang played quite a few public roles in his life. After he was demobilized from the military, he had always wanted to find a job in the state sector. He worked as a political commissar (*zhi dao yuan*) on the railway for a while. He then worked for half a year in the Office of Industry and Commerce in Miaoyufeng Township, one of the three small townships that were merged into Changtang Town in 1995. After that, he worked for work teams (*gongzuo zu*) and propaganda teams (*xuanchuan dui*) to increase grain yields. He then played a minor managerial role in a leather shoe factory. Finally, he worked as a contractual worker on a highway and maintained roads for three years. There he also played a minor leadership role (*fu dian ze*).

Zhang liked to watch TV and read newspapers. When he saw that the taxes and fees collected by the town government were much heavier than the levels broadcast in the mass media, he joined Guo Weiguo, Lin Zhiqiang, and other leaders and petitioned the county, the provincial capital, and Beijing. Zhang explained his decision to become a protest leader and to petition higher levels of the government (*shang fang*) in this way:

At that time I believed that the central committee of the party would ensure the solemnities (*zhuang yan*) of its policies. I believed that these policies would for sure be implemented... As an excellent party member and a party representative for many years, I have always wanted to improve the lot of the public (*gong jia*) and the collective (*ji ti*).<sup>29</sup> I petitioned higher levels of the

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<sup>28</sup> Interview with Zhang Xiuyuan in Sanyi Village, Changtang Town, Oct. 2002. The expression of “local peasants” in Mandarin was “*dangdi de lao maixing*.” Zhang used many words that are part of the vocabulary of the party-state, such as “the party,” “the people,” and “the state.” Some of his expressions, such as “to rely on themselves” and “to beautify the local area” were anachronistic.

<sup>29</sup> The original expression in Mandarin was “*yixin zhixiang ba gongjia jiti gaohao*.”

government because policies could not be implemented. With the party's policies and the interests of the masses in mind, I went petitioning.

**Liao Minjun.** Liao was a man in his 60s. Liao was the only person among all the leaders whose family was part of the village power establishment. While he was leading the protest, his son was the village party secretary, whose main job was to collect taxes and fees from peasants.<sup>30</sup> Liao also joined the military when he was young. In the 1950s he became one of the first armed policemen (*wu jing*) in China. Unlike most other leaders, Liao did not become completely demoralized after the protest was suppressed in 1999. Even though he served one year in a labor camp for his role in the protest, he continued to resist heavy burdens after he returned from the labor camp. Seeing cadres beating peasants while collecting grain, he told the peasants, "Do not be afraid. You only need to pay reasonable taxes and fees. As to unreasonable ones, it is all right not to turn them in. The party will support you" (*cheng yao*).<sup>31</sup> To subdue Liao, the town government arrested him again. By the time of the interview, Liao was serving his second or even his third term in a labor camp.

### ***The Party-State and Common Characteristics of Leaders***

From these brief biographical sketches, we can see that leaders in the Changtang protest were a self-selected group who all worked for the party-state at some point in their lives, including the military, one of the few institutions which historically had provided peasants with social mobility and interaction with the outside world (Shanin 1966). Most leaders of the Changtang protest were communist party members. Three out of the four leaders joined either the military or the armed policemen. Three out of the four leaders also worked as heads of the team, the

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<sup>30</sup> Peasants joked that Liao and his son did not interfere with each other's business.

<sup>31</sup> Interview with Guo Weiguo's brother-in-law in Xujiaba Village, Oct. 2002.

administrative level below the village. The team is the lowest level of administration in China. A team head is in charge of a team, which in Hunan consists of dozens of peasant families and usually has more than 100 peasants.<sup>32</sup>

Peasant leadership, therefore, is produced by the political structure of the party-state. Specifically, the experience of working for the party-state nurtured political activism and the public spirit of some peasants, acquainted them with policy documents of the party-state, and gave them a good command of the language of the party-state, three qualities that turned some peasants into protest leaders. Because these three qualities are all derived from the political system, I would refer to them as “political capital.”

Since political power originates from one center in China—the party-state, the party-state is the only place where peasants can acquire political training and develop political activism. Through working for the party-state, even at the lowest level, the team, some peasants, whom I call peasant cadres, acquired political qualities that distinguished them from ordinary peasants. To put it simply, the party-state produced political activists among peasants.

Working for the party-state also helped to cultivate the public spirit of some peasants. While it is hard for people in a liberal democratic county, such as the United States, to attribute the cultivation of any public spirit to the authoritarian party-state of China, the Chinese party-state does promote a communist and nationalist ideology. It educates and encourages everybody, particularly communist cadres, to work for the common good of the people and the nation-state. Further, public spirit, by definition, can only be cultivated when people work for the public, however it is defined. A person who has never played any public role and whose loyalty is completely devoted

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<sup>32</sup> See section “Village Levies” in chapter 3 for details. A typical village in Hunan has more than 1,000 peasants and more than 10 teams.

to his or her family members, relatives, or clans would never have the opportunities to cultivate a public spirit. The party-state represents the most important public realm in China. Thus, while people obviously do not necessarily have to work for the party-state in order to be public-spirited, working for the party-state during the Mao and the early Deng period did help some peasants to become public spirited.<sup>33</sup>

That the party-state provided the source of the political activism and the public spirit of leaders can be seen from the above biographical sketches, particularly from Zhang Xiuyuan's self-description. Peasants in different protest events used different phrases to describe the public spirit of their leaders. In Changtang, peasants described their leaders as "people growing up in the Mao Zedong era" or "people belonging to the Mao Zedong era." In Cangyuan, peasants described their leaders as "old village party secretaries who upheld justice" (*zhuchi zhengyi*) and "people who were enlightened" (*juewu gao*).<sup>34</sup> In Qizong, peasants explained that their leaders were "people who were socially conscious" (*shehui jinbu renshi*).<sup>35</sup>

Working for the party-state also acquainted peasant cadres with policy documents and enabled them to command the language of the party-state. All peasants working for the party-state, including team heads, needed to know, popularize, and help implement party policies in the countryside. Through this political training, they not only realized the importance of policies of the party-state, forming the habit of following closely the political debates, but also acquired the ability to speak the language of the party-state persuasively in public so that they could convey party

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<sup>33</sup> I exclude the reform era because the party-state has become too corrupt, which contributed to the emergence of the local predatory state studied in this dissertation. Though the party-state still has an ideology of serving the people, that ideological claim is significantly undermined by corruption.

<sup>34</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>35</sup> Interviews with peasants in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004. See chapter 6 for details.

policies to ordinary peasants. While working for the party-state, some peasants gained good knowledge of party policies and a good command of the language of the party-state, transforming themselves into good orators.

Guo Weiguo, the most prominent leader in the Changtang protest, had a high school diploma. So did Xie Weimin who played the same role in the Qizong protest, which will be analyzed in the next chapter. Because a high school diploma is the highest degree that a Chinese peasant can get before (s)he stops being a peasant, a peasant with a high school diploma is not an ordinary peasant. (S)he is what I would call a “peasant intellectual,” a peasant who is considered to be cultured and highly educated by fellow villagers. In addition to political capital that all peasant leaders possessed, the most prominent leader also possessed cultural capital (Bourdieu 1984). While the political training that peasant cadres received from the party-state turned all peasant leaders into good orators with good knowledge of party policies, the high school diploma bestowed upon the most prominent peasant leader two more abilities that set them apart from other leaders: the ability to write reports, petitions, and pamphlets powerfully and the ability to interpret party policies and to speak about them in public much more eloquently than other peasant leaders. The most prominent leader is not only a better political speaker, but also a better political writer.

### ***Leadership as a Shield against State Repression***

Why did peasants in Changtang have to wait for the emergence of Guo Weiguo and others before they could protest against heavy burdens, even though they bore a deep resentment against the village and town cadres and village schools that constantly demanded grain and money from them? The answer can be found in the following comment in which a peasant in Xujiaba Village explained the peasants’

potential for rebelling and the reality of peasant acquiescence in Changtang after the suppression of the protest:

In this area, if only someone would lead the protest again, we peasants would be even less afraid [of the local government] and the scale of the protest would even be much larger. If only there were a leader, who the hell would be scared of [the government]? However, who dares to be a leader [again]? Whoever leads a protest would be arrested... [Nowadays] even though we peasants do not make a single sound [against the local government] from our mouth (*kouli bu zuosheng*), we actually do not consent in our heart (*xinli bufu*) [to the rule of the local government].<sup>36</sup>

This comment clearly shows that peasant leadership is all that it takes to turn peasants from subjects into rebels. In an authoritarian system, peasant leadership provided the crucial element that enabled peasants to rise up against the state: a shield that protected peasants from state repression, which made it safe to rebel. When the state cracked down on peasant protest, it could only punish the leaders, but not the followers, who remained safe in their anonymity.

### ***Changing the Calculation of Rationality***

Peasant leadership also helped to overcome the free-rider problem that plagued not only peasant protest, but any other collective action. As Mancur Olson, Popkin, Lichbach, and others have reminded us, peasants, just like everybody else, are rational calculating individuals and that it is much easier for them to free-ride than to fight for their common interests.<sup>37</sup> Sun Zhongshan, the founding father of modern China, once lamented over how hard it was to organize Chinese peasants who were just like a plate

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<sup>36</sup> Interview with a group of peasants in Xujiaba Village, Oct. 2002.

<sup>37</sup> Mancur Olson, *The Logic of Collective Action* (Cambridge, MA: Harvard University Press, 1979); Samuel L. Popkin, *The Rational Peasant* (Berkeley: University of California Press, 1979); Mark Lichbach, "What Makes Rational Peasants Revolutionary? Dilemma, Paradox, and Irony in Peasant Collective Action," *World Politics* 46, no. 3 (April 1994), 383-418.

of sand that lacked any cohesiveness. Even peasants themselves think that they are most practical (*zui jiang shi hui*) and most individualistic (*zui bu qi xin*).<sup>38</sup>

Without leadership, it was more rational for peasants to turn in grain to the local government than to engage in protest activities, as can be seen from the following reasoning provided by a peasant:

After all it was only a few yuan (*ji kuai qian*). [It is easier] simply to give it [to the local government]. You know during the period of the People's Communes, peasants did not even have enough rice to eat. Nowadays we at least have rice to eat. Cadres, seeing that peasants are behaving this way, demand a lot from peasants. If peasants could behave like workers who became united and went on strike, cadres would also be afraid. However, if peasants got united and stopped tilling the land en masse, they would have nothing to eat themselves... In our area, exactly how much rice is there [for peasants] to eat?<sup>39</sup>

With the emergence of leaders, it became more rational for peasants to rebel than to acquiesce. Because peasant leaders provided a shield that protected peasant followers from state repression, leaders shouldered all the risk that came with protesting. As a result, for peasant followers, the cost of participating in protesting was rather small, whereas the benefit was large. The former meant some time spent on participating in protest activities and a few yuan in the form of donation, whereas the latter meant a significant reduction of their burdens. Zhang Xiuyuan explained peasant support for the leaders:

Whenever a peasant decided to become a leader, the masses (*qun zhong*) would respect him. Because the leaders needed money [to petition higher authorities], peasants donated money... The masses of course supported one another. After knowing that the party had such a good policy that was beneficial to peasants, peasants enthusiastically supported [the leaders]. Because they had the right to resist heavy burdens, peasants resisted turning in grain.

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<sup>38</sup> Interviews with peasants and village cadres in villages in Yuanxiang County, summer 2004.

<sup>39</sup> The last sentence refers to the fact that many peasants abandoned their farmland. Interviews with peasants in Shuangdu Village, Cangyuan Town, Oct. 2002.

Under the leadership of Guo Weiguo and others who were dispersed in different villages in the entire town, peasants in the entire town were mobilized rather quickly. By 1998, peasant protest in Changtang Town became such a powerful force that Guo Weiguo was believed to have told cadres who tried to co-opt him that the entire county of Yuanxiang would tremble if only he stamped his foot on the floor.<sup>40</sup>

### **Documents and Petitions**

Peasant protest leaders emerged when people like Guo Weiguo, Zhang Xiuyuan, Lin Zhiqiang, Liao Minjun, and others saw an opportunity: central policy documents on lowering peasant burdens, which the local government in Central China could not implement because it was caught in an acute fiscal crisis in the 1990s. Thus, these policy documents created a division between the central and the local government and provided a political opportunity that Guo Weiguo and others seized. Further, these documents not only provided peasants with an opening of the political opportunity structure (Tarrow 1998), but also a deep conviction that the central government was on their side and had given them the right to resist heavy burdens (O'Brien & Li 2006; O'Brien 1996). Policy documents thus provided the most important weapon in peasant protest in Changtang against heavy burdens. As one peasant put it, "Had there been no documents, peasants dared not to rebel."<sup>41</sup>

Given its importance in peasant protest, it was not surprising that the local government hid policy documents from peasants. As a result, though the central government had been issuing a series of policy documents restricting the type and amount of taxes and fees that the local government could lawfully collect from

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<sup>40</sup> Information provided by a neighbor of Guo Weiguo who was critical of Guo's over confidence.

<sup>41</sup> Interviews with peasants, peasant leaders, and their relatives in Xujiaba Village, Oct. 2002.

peasants since the late 1980s and the early 1990s, peasants simply did not know about them. Peasants of course were busy making a living with their hands every day. Most of them did not have the leisure time to read newspapers or books. Nor did they have the time or the money to visit bookstores and buy books. Policy documents that were easily available to a learned person or cadres were not available to peasants. Thus, a seemingly simple act—a peasant acquiring policy documents—actually happened only rarely. It required a peasant to make connections with either the learned world (the intellectuals) or the bureaucratic world (the cadres).

So, the Changtang protest had to wait until a peasant mysteriously acquired policy documents in 1996. Peasants in Changtang explained the origin of their documents:

In 1995 and 1996 the central government issued these policy documents. They arrived in our town in 1996. These documents, however, were secret. They were not circulated. We did not know from whom Liu Aimin got hold of these documents.<sup>42</sup>

Judging from the Cangyuan protest studied later in this chapter and the Qizong protest analyzed in the next, it was likely that both Liu Aimin and Lin Zhiqiang, the two peasants who started the protest in Changtang Town, acquired these documents from the bureaucratic world: classmates, friends, or relatives who were retired cadres. Some peasant leaders acquired some policy documents directly through reading newspapers or watching television. For example, Zhang Xiuyuan, the aforementioned leader in the Changtang protest, liked to read newspapers and watch television news reports in his spare time. When he noticed that the town was collecting more taxes and fees than those allowed by policies reported by the mass media, he decided to join Liu Aimin and Guo Weiguo in their burden-reduction efforts. They petitioned the

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<sup>42</sup> Liu Aimin was the peasant who started the protest in Xujiaba Village.

provincial government together and acquired more documents, including book one, two, and three of the Compilations of Documents on Administrative Fees in Hunan Province.

No matter whether peasants acquired policy documents directly or indirectly, it was either the connections they had with the bureaucratic world that enabled peasants to acquire policy documents or the experience of working for the party-state that helped peasants to cultivate the habit of following party policies in mass media. It was rare for an ordinary peasant with no experience of working for the party-state to show a keen interest in the party policies reported in newspapers or on television. It required some political training to do that. Rarer was a peasant who would decide to turn policy documents into weapons of resistance, which required some belief in the party-state, good knowledge of party policies, and the ability to speak persuasively in public about these policies. All these were qualities that some peasants developed through working for the party-state, which provided not only leadership for peasant protests, but also access to policy documents.

Convinced that the party-state supported them, peasant leaders in Changtang were fearless. They mobilized peasants through popularizing policy documents among peasants and petitioning higher levels of governments. It never occurred to them that they may be imprisoned for helping the central government implement its rural policies. Peasants explained the solidarity and the enthusiasm they showed in the protest in the following way:

Peasants were united at that time, since they had not learned to be afraid. They thought that it did not break any law to popularize (*xuan chuan*) central documents. Newspapers and television talked about lowering peasant burdens all the time and peasants did have TVs. How could they know that they had broken the law? It did not occur to them that popularizing central documents broke the law. Who could have known it? Whatever the party center advocated

and whatever the TVs popularized, they [peasants] repeated it [the argument]. They refused to turn in [exorbitant taxes or fees] to counties.<sup>43</sup>

### ***Popularizing Documents***

Popularizing policy documents among peasants was the single most important mobilization tool in the Changtang protest, which the leaders accomplished in five different ways. First, they wrote slogans (*biao yu*) and made banners on red pieces of paper and posted them on doors and walls of peasants households, in village public spaces, such as village headquarters (*dadui bu*) where the village governance was located, and even on motor vehicles traveling along the major highways linking the town with three major cities: the Yuanxiang county seat, the city of Jiangu, and the city of Zizhou.<sup>44</sup> These slogans and banners had five themes, all taken from the documents: the peasants' general support and praise of the party, their specific support of the party's policy on lowering peasant burdens, the need to fight corruption, the peasants' right to resist unreasonable burdens, and a call on peasants to be united in their struggle against burdens.

Second, peasant meetings were organized, big or small, in which the leaders read out documents and explained to peasants their right to resist burdens. Meetings usually were only held after some initial mobilization effort had started through visiting peasant households and spreading the news of burden reduction. Of course, peasants already had a receptive ear toward what leaders had to say. In these meetings, leaders informed peasants of the documents and discussed the injustice, the corruption, and greed of the local government. The crucial role that policy documents played in mobilizing peasants was best exemplified by what Zhang Xiuyuan, the loyal

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<sup>43</sup> Interviews with a group of peasants in Xujiaba Village, Oct. 2002.

<sup>44</sup> In China, "red" means life and happiness, whereas "white" means death and sadness. For example, marriages and joyful news are announced on red pieces of paper, whereas obituaries and sad news are written on white pieces of paper.

communist party member, did in these meetings. With his thick pair of glasses, soft voice, and mild character, Zhang looked less like a rebel than a village grandfather. In burden-reduction meetings, Zhang never said anything contrary to the party's policies. Instead, he would put on his pair of glasses, hold the documents, and read them out loud word by word (*yuan yuan ben ben*). According to a peasant follower, "Zhang was an outstanding communist party member in the past and he never talked any nonsense (*bu luan jiang*). In meetings he only said things that were completely based on policies."<sup>45</sup> "Documents of the state are public knowledge. How could I have instigated the masses [to rebel]?" retorted Zhang after the town charged him with crime in 1999 when the protest was suppressed.

In addition to mobilizing peasants, meetings also served another important function: coordination among protest leaders. Peasants in Changtang did not build any formal or informal organizations in their protests. Protests were sustained by leaders coordinating their burden-reduction activities through informal meetings. These meetings created a unified leadership and a unified protest out of what would otherwise have been small protest events scattered in different villages. So, coordination among protest leaders through meetings held the protest together.

Third, the leaders used mass communication tools and popularized documents in rural markets where one could find the largest number of peasants at any given moment. They also drove vehicles from village to village and broadcast these documents, a practice that peasants very likely learned from the town government which every year during the summer harvest season sent propaganda vehicles traveling in villages and reminding peasants of their duty to turn in taxes and fees.

Fourth, copies were made of the documents and relayed among peasants.

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<sup>45</sup> Interview with an old peasant in Xujiaba Village, Changtang Town, Oct. 2002.

Finally, the news of the protest and the idea that peasants had the right to resist heavy burdens were spread among peasants through word-of-mouth (*ni chuan wo, wo chuan ni*), a powerful mobilizing tool in the countryside where people lived close to one another and formed dense networks, so the news was relayed as fast, if not faster, than that communicated by any modern technology.

### ***Petitions***

Other than popularizing policy documents among peasants, petitioning higher authorities (*shang fang*) served as the second important tool in mobilizing peasants in the Changtang protest. Similar to policy documents, petitions not only enabled peasants to use the policies and power of the central and provincial government to fight against the local government, but also convinced peasants that their protest activities were endorsed by the party-state. Peasant leaders tirelessly petitioned the county, the city of Changsha, and finally the central government in Beijing. Through petitions, leaders quickly compiled a thick pile of policy documents, which helped to attract more peasants into the protest. Petitions to the highest authority, the central government and the central committee of the party, served as a catalyst for the protest and helped to push the protest to its peak. In 1998, Zhu Rongji became China's prime minister. On March 3, 1998 (lunar calendar), encouraged by Zhu's determination to fight corruption and lower peasant burdens, Guo Weiguo, Zhang Xiuyuan and Liao Minjun petitioned Beijing.<sup>46</sup> After they returned, peasant leaders organized a burden-reduction meeting in the town government compound on June 8, 1998. Between 7,000 and 8,000 peasants from the entire town attended the meeting.

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<sup>46</sup> March the 3<sup>rd</sup> (lunar calendar) is an important holiday celebrated in the countryside. Peasants celebrate the holiday by eating eggs cooked with a certain kind of herb. That was why Guo's wife remembered the exact date when Guo and others first petitioned the central government in Beijing. Interview with Guo's wife, Xujiaba Village, Oct. 2002.

China's political system in which Beijing forms the ultimate power center, determined that central policy documents and petitions to higher authorities could play a very important role in peasant protest against heavy burdens. Policy documents issued by higher levels of the government and instructions and notes that peasants received during their petition trips were not merely words. These papers represented the power of the central government. Though ultimately the Changtang protest and all other peasant protests against heavy burdens in the 1990s were suppressed by the party-state, these protest events occurred because the peasants and the central government formed a temporary alliance against the local government. All these protest events were encouraged by central policy documents and petitions to higher authorities. That central documents symbolized the power of the central government could be seen from the comment made by one peasant about the June 8<sup>th</sup> Meeting: "They [protest leaders] indeed brought back policies from Beijing."<sup>47</sup> It was in the name of popularizing these documents and policies that the first mass meeting in the Changtang protest was held. Relying on the power of the central documents and the central government, peasants gained a temporary victory over the local government on that day. Four or five peasant leaders made speeches, read out policy documents, and discussed their petition trip to Beijing, while town cadres sat quietly in their offices. For a brief period that lasted no more than two hours, peasants gained control over the local government authority that had largely determined their fate for years.<sup>48</sup>

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<sup>47</sup> Interview with an old peasant in Xujiaba Village, Oct. 2002.

<sup>48</sup> The important role played by central documents in this protest reminded the author of this dissertation somewhat of the Red Guard movement during the Cultural Revolution. Red Guards, after being received personally by Mao Zedong in the Tiananmen Square, engaged in revolutionary grand networking (*geming da chuanlian*), moved to all kinds of cities, and spread the revolution in the entire country. If we take a longer historical view, the central documents were somewhat similar to imperial edicts, the power of which surpassed all those originating from localities.

Through these two mobilization tools, a few leaders (about ten) were able to mobilize most of the more than 50,000 peasants in the town with relative ease. The large number of peasants thus mobilized emboldened the leaders. By 1998, Guo Weiguo and others were confident enough to organize the burden-reduction mass meeting attended by 7,000 to 8,000 peasants in none other than the town government compound, thus surrogating to themselves the role of the local government and denouncing its abuses. The crucial role played by peasants' support in propelling the protest to its peak could be seen in the following comment made by Guo's wife, in which she explained why Guo and others held the meeting in 1998 rather than earlier: "At first they probably did not dare to [hold the mass meeting]. Later more and more peasants were involved.<sup>49</sup> Peasants everywhere participated [in the protest]."

### **Mobilizing Peasants**

Once Guo Weiguo and others decided to lead the protests and popularize policy documents regarding lowering peasant burdens, they instantly mobilized a large number of peasants. A few leaders gained this large following with minimal mobilization efforts because peasants shared a common interest in having their burdens lowered, because leaders provided the shield that protected peasants from state repression, because peasants believed that their protest activities were sanctioned by the party-state, and finally because the dense networks among peasants formed through daily and ceremonial interactions, living in close quarters, and attending rural markets or market towns enabled the ideas contained in policy documents to spread very fast among peasants. As gradually more peasant leaders emerged in different villages in the town, peasants in the entire town of Changtang were mobilized,

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<sup>49</sup> The local expression for this was "*yue gao ren yue duo*." Interview with Guo Weiguo's wife in Xujiaba Village, Oct. 2002.

forming an important political force that contended with the local government over the right amount of taxes and fees that the local government could collect from peasants. “Like a swift wind, they [peasant leaders] succeeded in organizing peasants. Their power at that time was not small. Most peasants [in the town] were mobilized.”<sup>50</sup> Peasants refused to turn in unreasonable taxes and fees. They demanded that tuition be lowered, that the education surcharge levied on students be abolished, that the pig slaughtering tax and the special agricultural product tax not be assessed on either individuals or on land, and that all other taxes and fees forbidden by policy documents not be collected. They also demanded the right to examine village account books and fight against corruption. Peasants explained their demands:

Because peasants did not agree [to turn in heavy taxes and fees], they [village and town cadres] could not collect enough grain. Peasants only agreed to pay the state taxes, including the taxed grain and the procurement grain (*zheng gou liang*). They refused to turn in anything else if village accounts were not examined (*qing zhang*).<sup>51</sup>

### ***Shield of Protection and Common Interest***

While it was difficult for a peasant leader to emerge, it was easy to be a follower. Peasant leaders were unusual peasants. They were peasant cadres and peasant intellectuals who were politically active, who believed in the party-state, who were willing to sacrifice their own interest for the common good of peasants, and who were able to overcome their fear of state repression. To be a peasant follower was a completely different matter. The shield against state repression provided by leaders made it safe for peasants to protest. To be a follower was to remain anonymous. There was no way that the state, even an authoritarian one, could punish an anonymous

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<sup>50</sup> Interviews with Guo Weiguo’s brother-in-law in Xujiaba Village, Changtang Town, Oct. 2002.

<sup>51</sup> Interview with an old peasant in Xujiaba Village, Changtang Town, Oct. 2002.

person. The following comment explained well the mentality of peasant followers: “They [peasant leaders] wanted to lower peasant burdens and I supported them. As long as you lead the protest, I would agree and follow.”<sup>52</sup>

If someone was willing to lead them, peasants did not have to be persuaded to join a protest, because it was in the interest of every peasant to have his or her onerous burdens lowered. According to one peasant, “Peasant protest benefited every peasant. Each peasant could save a few dozens of yuan in taxes and fees per *mu*. That was why peasants were united in their hearts” (*qi xin*).<sup>53</sup> The common interest of peasants explained why all peasants supported their leaders wholeheartedly. They donated money to their leaders so that the leaders could petition Beijing and make copies of policy documents. They followed their leaders and refused to turn in taxes and fees that were above the level stipulated in these documents. They protected their leaders when the local government tried to arrest them. Zhang Xiuyuan explained the importance of peasant support:

Had there been no support from peasants, there would not have been this protest. We [peasant leaders] needed to petition [Beijing]. However, we did not have the money. Peasants donated money to us. Some donated three or five yuan. Some donated one or two yuan. We did not accept money from families that were poor. Neither did we accept the money if the amount was too big. As long as you love the party and support the party’s policy, the money you donated we would accept.

### ***Networks and the Spread of Information***

Common interest, the shield provided by leaders, and the belief in the party-state would not have made it so easy for the leaders to mobilize peasants, had it not been for the fact that news in the countryside in Hunan traveled very fast because of

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<sup>52</sup> Ibid.

<sup>53</sup> Interviews with a group of peasants in Xujiaba Village, Changtang Town, Oct. 2002.

the dense, daily, ceremonial, and economic interactions that peasants formed among one another, reinforced by a communal cultural norm. While good roads and modern technologies like cell phones do not necessarily make it easier to mobilize people who do not know each other, they do help to mobilize peasants who are already closely connected through informal networks. Much of the news of the protest and the idea that peasants had the right to resist heavy burdens was spread among peasants through the most traditional way: word-of-mouth.

### *Intellectuals and Organizers*

Common interest and documents that rapidly traveled among peasants made it easy for the leaders in Changtang to mobilize peasants without building any formal or informal movement organization. In a more complicated and larger social protest, the intellectuals who championed the ideology and the organizers who mobilized followers were usually separate people. In these kinds of protests, the emergence of intellectual leadership did not guarantee a mass following. In the Changtang protest, because mobilization happened without organization, the intellectuals who did the talking and the writing also played the role of organizers who mobilized followers. In other words, the emergence of peasant cadres and peasant intellectuals as leaders was sufficient to mobilize peasants without resorting to elaborate organizational building. While in some sense this constituted a strength of the Changtang protest—a few leaders were able to mobilize a large number of followers quickly and with few resources, it also contributed to a major weakness of peasant protest in Changtang and other places in Hunan in the 1990s: protests usually could not diffuse to an area larger than a township, in spite of universal complaints that peasants in Hunan and elsewhere in China had toward heavy taxes and fees. This shows that there are limits to how far a

protest event can diffuse and how effective it can be if it purely relies on local connections.

### **Mobilizing Structure and Protest Diffusion**

One of the most important questions in the study of contentious politics is whether protest can diffuse to a large area. Obviously a protest that is limited to a small area poses much less threat to the political stability of any regime than one that succeeds in linking with other protest events and spreads to a large area. In the 1990s, the entire province of Hunan and other grain-producing provinces in Central China, such as Anhui, Jiangxi, and Henan were engulfed in peasant protests against heavy burdens. The Changtang protest, though well known and influential, was certainly not the only sustained peasant protest in Hunan in the 1990s. But it is an ideal case for the study of the diffusion of peasant protest, as Changtang is located where the three counties of Yuanxiang, Zizhou, and Jianglu intersect.

### ***Contagion and Township-bound Protest***

The Changtang protest spread rather easily from Xujiaba Village—the protest center to the entire town, covering a large area that were made of the three townships of Changtang, Miaoyufeng, and Xiaoxiang.<sup>54</sup> Protest leaders in the town, no matter how far apart they lived, did coordinate their burden-reduction efforts, rather than carrying out the protest in their village independently, so one unified protest was born. For example, Lin Zhiqiang lived more than 40 *li* away from Guo Weiguo.<sup>55</sup> Zhang

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<sup>54</sup> In 1995, due to the policy of abolishing rural districts, consolidating townships, and establishing towns, three townships, including Changtang, Miaoyufeng, and Xiaoxiang were consolidated into the town of Changtang.

<sup>55</sup> One *li* is half a kilometer. I use one *li* rather than half a kilometer because *li* is the unit of measurement for distance used in China.

Xiaowei lived more than 20 *li* away and Liao Minjun lived more than 10 *li* away from Guo Weiguo. None of the leaders knew one another before the protest, for peasants who lived so far apart did not interact with one another on a regular basis. It was because of the protest that they started interacting with one another constantly and coordinating their burden-reduction efforts.

Interestingly, while the protest was able to spread from Guo's village to Lin's village, which was more than 40 *li* away, it did not spread to Qianzhu Village, which neighbored Guo's village of Xujiaba.<sup>56</sup> When Guo Weiguo and others were leading the protest in Changtang, peasants in Qianzhu Village were also protesting against heavy burdens. The Qianzhu protest was on a smaller scale than the protest in Changtang but had identical causes and identical demands.<sup>57</sup> Due to the geographical proximity of Xujiaba Village and Qianzhu Village, the birth of protest event in one village led to the birth of protest event in another. Further, the two protest events mutually reinforced each other. This contagion effect can be seen from the following comments:

Talking about peasant movements, how did our movement start?<sup>58</sup> It started from Zizhou [another county]. In Qianzhu Village, Zizhou County, there were four such people who did not want to turn in unreasonable taxes and fees. This

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<sup>56</sup> Here the word "spread" means coalition-building and establishment of a unified leadership among several different protest events.

<sup>57</sup> Peasants in Qianzhu Village demanded lower taxes and fees and tuition, abolition of the education surcharge levied on students, examination of the village account book, and an end to corruption. The protest also started when four peasant leaders decided to popularize central policy documents. After a major clash between cadres and peasants over grain collection in the village school, the local government arrested several peasants. In turn, the peasants kidnapped two cadres. After both sides released their captives, the local government arrested the four leaders, who were then beaten badly. One leader's eye was even blinded. Interviews with peasants in Xujiaba Village, Oct. 2002.

<sup>58</sup> Peasants called their collective action against heavy burdens a peasant movement (*nongmin yundong*), rather than a peasant protest (*nongmin kangzheng*). I label their actions a protest rather than a movement in this dissertation because their actions were local, rather than regional, not to mention national. To maintain the original flavor of the peasants' language, however, I used their own expressions in this quotation.

then snowballed into a big event.<sup>59</sup> [The local government] arrested the 4 people. [It] even blinded one person's eye. Because we were close to the village, the movement spread to our village. Who started the movement in our village? It was Liu Aimin. However, after he got an interest-free loan, he stopped doing it. He switched sides and oppressed the others [peasant leaders].<sup>60</sup>

Though Zhang Xiuyuan and Guo Weiguo's brother-in-law thought that the protest first started in Xujiaba Village and then expanded to Qianzhu Village, they agreed that the two protest events were closely related:

Liu Aimin first started the protest in Xujiaba Village. It then shocked (*zhen dong*) Qianzhu. Qianzhu's protest in turn shocked us. From us it then spread to the entire town. We did not protest together with peasants in Qianzhu. However, we got many policy documents and materials from them, which then encouraged us [leaders] to petition higher authorities.—Zhang Xiuyuan, Oct. 2002

Therefore, the protest events in Changtang and Qianzhu reinforced one another through mutual encouragement and learning. Knowledge of peasant protest events in one place encouraged peasant protests elsewhere. Most importantly, peasant leaders in the two protest events borrowed policy documents from one another, a pattern that we would see again in the Qizong protest studied in the next chapter. Borrowing policy documents from one another became the most important way for different peasant protest events against heavy burdens in the 1990s to influence one another.

In spite of the contagion effect, leaders of the two protest events (Changtang and Qianzhu) never coordinated their burden-reduction efforts. Neither did they make coalitions with each other. Lacking a unified leadership, the two protest events were separate from one another. Why could the Changtang protest spread to a village 40 *li* away but not to a neighboring village? This was because of the administrative location

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<sup>59</sup> His expression for this in Mandarin is “*ba zhege shiqing nao da le.*”

<sup>60</sup> Interviews with a group of peasants in Xujiaba Village, Changtang Town, Oct. 2002.

of Qianzhu Village. Although Qianzhu Village was right next door, it was also a county away—it belonged to the county of Zizhou, rather than Yuanxiang.

Administrative boundaries, specifically, the boundary of a township/town, rather than the physical distance between villages, determined how far the Changtang protest diffused from the protest center. It succeeded in spreading to the entire town, but also stopped right there.

The only time that the Changtang protest broke the confines of one town was on January 8, 1999 when no fewer than 40,000 peasants from three counties showed up in the town of Changtang.<sup>61</sup> Peasants came to Changtang Town to see the spectacle (*kan re nao*), alarmed and excited by the sudden appearance of truckloads of troops, police dogs, and numerous checkpoints, each of which blocked the passage of dozens of vehicles and hundreds of people. This pattern was repeated in the two other cases studied in this dissertation, where a protest that was initially limited to a few villages or a township turned into a huge peasant riot from several townships or even counties.

The case of Changtang shows that the spread of organized protest against heavy burdens usually could not exceed the boundary of one township, whereas a tax riot encouraged by such a protest could easily involve peasants from several townships.<sup>62</sup> Why was it the case that peasant protests against heavy burdens in the 1990s usually could not spread beyond one township, when it was possible to mobilize peasants in several townships, as demonstrated by the sudden formation of a huge peasant crowd in a matter of hours on January 8, 1999 in Changtang Town? Why

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<sup>61</sup> Interviews with Guo Weiguo's brother-in-law, Zhang Xiuyuan, and other peasants in Xujiaba Village in Oct. 2002. These peasants were all eyewitnesses to what happened on that day.

<sup>62</sup> A regular tax riot, as I mentioned at the beginning of this chapter, usually could not expand beyond one village or several villages. A riot encouraged by a protest, however, was a different matter. The mobilization of peasants during the protest stage made the issue of peasant burdens salient and created a well-known public figure, which helped to form large crowds of peasants from several townships. In the Changtang protest, Guo Weiguo was such a figure. In the Cangyuan protest, it was Duan Xiaofeng.

could the universal complaint among peasants in Central China against heavy burdens not translate into a general peasant protest wave? Why did peasant protest in the 1990s take the shape of widespread but scattered protest events that failed to link with one another?

I argue that this was because of the informal and loose mobilizing structure of the protest. In Changtang, Cangyuan, and Qizong, peasant protest was sustained through leaders coordinating their burden-reduction efforts through informal meetings. Relying on dense rural networks, leaders mobilized peasants quickly with few resources and without building any formal organization. This loose mobilizing structure, consisting of leadership and networks, enabled the protest to spread from the protest center to an entire township/town rather easily.<sup>63</sup> Nevertheless, it could not sustain a protest that cut across different townships/towns. For that to happen, peasants had to either build formal organizations with professional staff or rely on existing organizations.

***Diffusion Model: From the Protest Center to the Entire Town***

In the Changtang protest, the spread of the protest from the protest center to the entire town was gradual. What pushed the diffusion was the emergence of leaders in villages other than the protest center. Once that happened, the leaders started to coordinate their burden-reduction efforts through informal meetings. In this way, the protest diffused to the entire town. The key to this diffusion process was the diffusion of peasant leadership, which was realized through three mechanisms. First, leaders who first emerged in the protest center (first leaders) set up an example for other peasants. Second, these first leaders mobilized peasants in areas surrounding the

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<sup>63</sup> Note that due to the timid and civil style of the leaders in the Cangyuan protest, the protest there did not spread to the entire town. It was limited to two to three villages. See section “Mobilizing Structure and Leadership Style” in case two of this chapter for details.

protest center and created a protest momentum. Some peasants, hearing the news of the protest and encouraged by it, decided to become leaders on their own. Third, once new leaders emerged in other villages in the town, some first leaders, such as Lin Zhiqiang and Zhang Xiaowei, started to visit them and make linkages with them. In addition, leaders, old and new, started to converge near the most prominent leader—Guo Weiguo. Leaders reached consensus about how to carry out a protest through informal meetings. In these meetings, Guo's opinions carried more weight than those of others.

Guo's brother-in-law and Zhang Xiuyuan explained the diffusion process of Changtang and scale of the protest:

At that time only peasants in Xujiaba Village belonged to this circle [meaning the protest]. Other places, such as Xiaoxiang [leader Lin Zhiqiang's area], was not included in the circle... At first there was only one or two leaders. Gradually more and more emerged. [When some peasants heard that Guo was carrying out a burden-reduction protest], they came over to Guo's village on their own (*ziji lai*) and they decided to participate in the protest on their own (*ziji canyu*). When other people wanted to participate in the event and be in charge of the event, they had to stop over Guo Weiguo's house, visit him, and ask for his ideas on how to further (*fa zhan*) the protest. Guo Weiguo would then express his opinions. If you supported him [meaning Guo], you would simply follow him. When there were several people around, they would then discuss the issue and reach a consensus [about how to carry out the protest].—Guo Weiguo's brother-in-law, Oct. 2002

All leaders recommended themselves (*zigao fenyong*) and emerged as leaders on their own... At first all that leaders did was to advocate the party's policies individually and there was no coordination among them. Only later when leaders became well-known everywhere did peasants all support the protest and respect you [meaning the leaders]. Leaders also started to hold meetings together and discussed issues.—Zhang Xiuyuan, Oct. 2002

There were two key components in this diffusion model: leadership and dense rural networks. Leaders in different villages in the same town coordinated their burden-reduction efforts and made decisions through informal meetings. Different

leaders in the same town made coalitions with one another and established a unified leadership because they had the same target: the town government, which was the layer of the government that directly collected heavy taxes and fees from peasants. Leaders in the town then spread their voices, implemented their decisions, and mobilized peasants easily through dense rural networks. Formal organizations played no role in this diffusion model. In other words, leadership and dense rural networks were sufficient to expand the protest from the center to an entire town.

Leadership and rural networks, however, failed to expand peasant protest from one township to another. As leaders in different townships/towns failed to coordinate their burden-reduction efforts with one another, even when two townships were right next door to each other, peasant protest in the 1990s was township-bound. The loose mobilizing structure (leadership and dense networks) made it hard for peasant protest to expand beyond one township for the following reasons.

First, more than one township was too big an area for peasant leaders to coordinate their efforts through informal meetings. Peasants had neither the time nor the money to sustain interactions that took place in such a large area. It was also too large an area to mobilize peasants for a particular protest activity.

Second, when a protest spread to another township, it became far more complicated, as it involved an escalation of the conflict. The county government, rather than the township government may become the target of the protest. Even if the protest still targeted the township government, it now involved at least two townships, rather than one. Thus, a higher level of coordination was needed, which could not be provided by occasional informal meetings among peasant leaders.

Third, it was hard for peasants to carry out a protest that cut across different townships for tactical reasons, such as which township should the protest target, whether leaders in several townships should carry out protest activities simultaneously

or sequentially, whether the protest should target the county instead, how to maintain order in any kind of mass gatherings during the protest, how to distribute tasks such as writing slogans and banners among peasants in different townships, and how to coordinate their efforts should they decide to target the county.

All these problems required an organizational solution. It required that peasants develop a certain kind of organization that could drastically increase their ability to coordinate their burden-reduction efforts. Diffusion of peasant protests to a large area required the construction of a new mobilizing structure, one that was less informal, less loose and capable of coordinating peasants in a large area. It required a formal organization with professional staff that could specialize in coordinating protest events and mobilize peasants in different townships and even counties.

This kind of organization, however, was beyond the reach of peasants, for peasant leaders could neither rely on existing organizations that could help them mobilize peasant followers in a large area nor build new ones. With the exception of religious and ceremonial organizations, which did not play a role in peasant protest against heavy taxation in the 1990s, peasants did not have any kind of organizations of their own. Neither could peasants, who were not “professional rebels,” build any new organizations. They had neither the time nor the resources to build such tight and professional movement organizations. Further, as demonstrated in the Qizong case studied in the next chapter, very often peasants did not even intend to build such organizations because the party-state provided both the leadership and the legitimacy for peasant protest against heavy burdens.<sup>64</sup> These protests, therefore, did not challenge the political system. This prevented peasants from establishing independent

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<sup>64</sup> See the sections on leadership and documents in this chapter.

organizations which clearly challenged the domination of the party-state of the political sphere.

Peasant riots, unlike peasant protests, could easily involve peasants from several townships/towns. Though a peasant crowd was never completely amorphous, nor was it composed of atomic individuals disconnected from one another, certainly a riot did not require the level of coordination and organization that was needed in a protest (Morris & Mueller 1992, 310; Piven 2006, 29). The dense networks in the countryside made it possible for news to travel rapidly through a combination of relaying messages by word-of-mouth and by modern technologies, such as telephones, mobile phones, highways, and motorized vehicles. Rapidly traveling news, combined with a salient issue and a well-known public figure among peasants, such as Guo Weiguo, prompted peasants from a large area to form crowds rapidly.

### **Conflict Intensified**

Through popularizing documents and petitioning higher authorities, the protest in Changtang quickly built up. The conflict between cadres and peasants thus intensified, as could be seen in the example of Liu Dequan, a peasant in his 70s in Xujiaba Village.

In 1997, Liu's son and another peasant paid for their children's tuition based on the level stipulated by the city of Jianglu, rather than by the town. The village school, however, refused to issue textbooks to their children. Liu explained the situation in the following way:

Students not only had to pay tuition, but also the education surcharge.<sup>65</sup> The tuition charged by the city of Jianglu was one thing, and that of the county was another [meaning higher]. The town added even more fees. The school would

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<sup>65</sup> Each student had to pay dozens of yuan of the education surcharge each semester.

only hand out students textbooks if they paid tuitions demanded by the town, not if they paid tuition required by the city of Jianglu.<sup>66</sup>

Liu's son and the other peasant decided to get the textbooks themselves. The village accountant tried to stop them. The three got into a quarrel and a fist fight. It was not clear who hit whom. Cadres said that the two peasants beat up the accountant, whereas peasants said that the accountant beat up the two peasants. However, it was unlikely that the peasants hit the accountant, as explained by Liu Dequan, "actually they [the peasants] did not beat up the accountant. These cadres, they are as big as heaven" (*da ru tian*).<sup>67</sup>

In a day or two, police officers from the town, carrying pistols and electric clubs in their hands, surrounded Liu's house, kicked open the door, and searched for his son everywhere, who got scared and left home earlier. Liu then hit a gong.<sup>68</sup> Hearing the gong, peasants rushed to his house. The officers left without apprehending his son. A few days later, Liu received a notice from the town informing him to attend a "study session" (*xuexi ban*) in the town. Liu was told that he had made two mistakes. First, he attended two meetings on lowering peasant burdens (*kaihui liangci*). Second, he beat a gong once (*daluoyici*).

Liu made the following announcement to town cadres, which I quote in full because it demonstrated that peasant protest in Changtang and elsewhere was legitimized by the party-state and that some followers of the protests were also informed by a public spirit that was nurtured by the party-state.

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<sup>66</sup> Interview with Liu Dequan, Xujiaba Village, Oct. 2002.

<sup>67</sup> The local expression for the full sentence was "*ta men ganbu da ru tian*."

<sup>68</sup> A gong is a traditional instrument that many peasant households in Hunan have. Because the sound of a gong can be heard from far away, peasants use a gong to alert fellow villagers and to send messages. In many parts of Hunan, a gong was widely used in peasant protests against heavy burdens in the 1990s.

Before I came here today, I had already made up my mind. I have not broken any law. Do not mistake me for somebody bad. Do not believe those village cadres. I am not a counter-revolutionary. I am loyal to the party and to the revolution. I am a person of the Mao Zedong era and I have made many contributions to my country. I strongly oppose corruption. You could shoot me today if I were corrupt. If a cadre is corrupt, (s)he should be shot. Lowering peasant burdens is a good thing. It is also the right thing to do. I have only played a good, rather than a bad role in it. CCTV, Hunan TV, Hunan Economics TV have been talking about what benefits lowering peasant burdens will bring to society. I fully support this. I watched TV, and I talked about lowering peasant burdens. For this you wanted to arrest me and you summoned me here. How can this be just?<sup>69</sup>

Town cadres told Liu that “whoever supported lowering peasant burdens, including those who only talked about it” would be arrested. Liu was then made to attend a study session, during which all the peasants were made to sit straight, with their legs in a fixed position. Liu described what happened in the “study session” in the following way:

The moment you moved your legs, they would hit you. They made us sit like bad people and treated us like enemies. Only they could talk. You were not allowed to talk. If you started talking, they immediately showed an angry face and banged their fists on the table.

### **Co-opting Guo**

Between 1996 and 1998, the county tried to co-opt Guo Weiguo, as it once did with Liu Aimin. It sent numerous county cadres to the village to sweet-talk to Guo (*jiang hao hua*) and to do thought work (*sixiang gongzuo*) on him. Even the county magistrate paid several visits to Guo and invited him to have dinner in the Grand Hotel of Yuanxiang County.<sup>70</sup> County cadres explained to Guo that the county faced a fiscal

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<sup>69</sup> Note that many phrases that Liu used in this monologue, such as the revolution, the party, “a person of the Mao Zedong era” were identical to Zhang Xiuyuan’s. Though he shared many views of an old communist party member, Liu Dequan was not a communist party member himself. He was a team head. However, he was illiterate, and that prevented him from becoming a leader.

<sup>70</sup> The soft attitude of the county only made peasants believe that the county government was wrong and that the peasants were surely right to resist handing in grain. The peasants reasoned that had the

deficit (*caizheng kuisun*) because all the SOEs went bankrupt, so it had no way out but to collect taxes and fees from peasants. “We beg the pardon of peasants,” thus said county cadres. Guo answered that the county should investigate the real reasons for the fiscal deficit and that it should punish whoever was responsible for it. “How can you ask peasants to fill the fiscal hole” (*bu dong*)? Guo retorted.

### **Changtang Incident**

The Changtang protest reached its peak on June 8, 1998 when Guo Weiguo and others held a mass burden-reduction meeting after they returned from a petition trip to Beijing. It was an orderly meeting, and the peasants did not do any damage to the trees and grass in the compound. For that meeting alone, peasants spent at least 100 yuan on papers and wrote a lot of slogans and banners, such as “Support Jiang Zeming! Support Zhu Rongji!” “Support the Party’s Policy on Lowering Peasant Burdens!” “Peasants Have the Right to Resist Unreasonable Burdens!” and “Fight Corruption.” Peasants also stuck slogans to automobile vehicles such as “Support the Party Center” and “Love the Country and the People.”

Peasants in Changtang planned to hold another mass meeting in the same town government compound on January 8, 1999, exactly half a year after the first meeting. The news of the second meeting was relayed by word-of mouth among peasants, and more peasants were mobilized for this meeting than the first one. This meeting was also better organized. Two villages were assigned to maintain order for the meeting. Peasants made a red flag which they planned to carry to the meeting. They also covered all the walls in the town with slogans on the night of January 7, such as

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government been right (*you li*), it would not have invited Guo to dinner. “If you had done something wrong, they would have beaten the hell out of you,” reasoned one peasant. Interviews with peasants in Xujiaba Village, Changtang Town, Oct. 2002.

“Support the Party Center,” “Long Live the CCP,” “United We Fight Corruption,” “Reasonable Taxes and Fees are Peasant Obligations,” and “Support the Party’s Policy on Lowering Peasant Burdens.” Peasant leaders asked permission from the town government to hold another mass meeting. They also held a preparatory meeting in the town, which was attended and recorded by public security officers.

The January 8 meeting, however, did not take place. This time the local government decided to suppress the protest.<sup>71</sup> On the night of January 7, about 3,000 troops and policemen armed with electric clubs, tear gas, and police dogs were deployed in the town. Four thousand more policemen and troops were on call in Jianglu City. The troops blocked all major roads to the town. Several layers of troops guarded the town government compound. Truckloads of policemen and police dogs surrounded Guo’s village and tried to arrest him. Guo fled to the mountains nearby. All the slogans written by peasants were torn away.

Between 40,000 to 50,000 peasants from nearby towns gathered in Changtang Town on January 8. Some came to attend the burden-reduction mass meeting. Some were simply excited by the appearance of troops. The peasants, not knowing that Guo could not come to the meeting, tried to push through the human wall formed in front of the government compound. Policemen in turn expelled the crowd with electric clubs. An old woman, pointing at a huge portrait of Mao Zedong that she was wearing on her chest, shouted at the guards, “You do not allow me to enter. How dare you not even allow HIM inside!” With these words, chaos spread quickly among the crowd as the peasants tried to push inside the compound. No longer able to keep order, policemen fired tear gas at the crowd. One old peasant’s leg was blown away. He died

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<sup>71</sup> According to the peasants, the town government reported to higher officials that the peasants were about to rob the bank and the grain station, and to attack the town government.

in a few days.<sup>72</sup> One woman was severely damaged on her face. Such was the outcome of the Changtang incident, known as the “January 8 massacre” among local peasants.

Guo petitioned the central government in Beijing with three others leaders a little more than a month after the Changtang incident.<sup>73</sup> For half a year, the local government tried in vain to arrest Guo, as villagers protected him. A gong and a *cheng* (a type of cannon ball), two instruments that almost every peasant household in Hunan owns, one used to alert peasants and the other used in a funeral, became weapons that peasants used to protect their leaders. Both instruments, particularly the latter, can make a very loud noise and can summon peasants scattered in a village. The butcher, whose house sit at the entrance of the road to the village, beat a gong whenever he saw cadres coming to arrest Guo. Villagers also shot cannons in the air (*fang cheng*) when government law enforcement members entered the village. In both the Changtang protest and the Qizong protest studied in the next chapter, peasants in the protest center sheltered their leader effectively for some time. The following comment demonstrated both the effectiveness and the limit of this protection against state repression:

If they come during the daytime, peasants are not afraid. We peasants have all risen up and we can fight with them. We can pick up the fight (*da jiu da*). However, if they make a surprise attack at night or use bait, set up a trap, and allure [leaders] to remote places, we can do nothing about it.—Guo Weiguo’s brother-in-law, Oct. 2002

So it was not surprising that both Guo Weiguo and Xie Weimin, the most prominent leaders of the Changtang and Qizong protests were captured in a city far

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<sup>72</sup> Worried about peasant crowds that were very often incensed by a peasant’s corpse, as was the case with the Cangyuan riot, the government had the body of the killed peasant quickly cremated. The ashes were secretly transported back into his village in a detour. Interview with Guo Weiguo’s brother-in-law in Xujiaba Village, Changtang Town, Oct. 2002.

<sup>73</sup> Interview with Guo Weiguo’s wife in Xujiaba Village, Oct. 2002.

away from their villages. In both protests, peasant leaders were either captured at night or trapped by the government and arrested. Few were arrested from their villages in the broad daylight.

### **Leaders Arrested**

On June 10, 1999, Guo's uncle in Jiangu set up a trap for Guo, alluring him out of his village by promising to contract a large state-owned gas station to him. Plaintiff policemen pretending to be businessmen arrested Guo in a restaurant in Jiangu.<sup>74</sup> On the same day that Guo was arrested, officials entered villages at night and apprehended other leaders. More than a dozen people smashed the door of Zhang Xiaowei, another major peasant leader at 3:00am, stuck his head into a sack, and threw him in a car. One other villager was also put into a sack and beaten badly. Guo was sentenced to six years in prison and Zhang was sentenced to five.

Bearded Lin escaped from his village and has been hiding ever since.<sup>75</sup> He secretly returned to his village once when his father died. When it was time to have the "mountain meal," worried that cadres from the town and the county may be among the guests, Lin left home and hid himself in Guo Weiguo's house for two days.<sup>76</sup> Guo's

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<sup>74</sup> Guo's uncle was forced by the Public Security Bureau to set up the trap. This man speculates and gambles. He also visits brothels and bribes officials. The Public Security Bureau agreed not to penalize him on condition that he set up the trap. Interview with Guo Weiguo's brother-in-law in Xujiaba Village, Oct. 2002.

<sup>75</sup> The town government tried to trap Lin Zhiqiang and then arrest him. Lin was a team leader. One day the village accountant told Lin that the work team had decided to return some irrigation money to Lin's team. On their way to the work team, the accountant told Lin that he needed to pick up another person and that Lin should wait for him. Lin suddenly realized that that was a trap and escaped promptly. Cadres searched for Lin everywhere. They smashed his door and forced themselves into his house that night, thinking that he was still staying at home. Interview with Guo Weiguo's brother-in-law in Xujiaba Village, Oct. 2002.

<sup>76</sup> The local expression was "*shang shan fan*." From interviews with peasants, it seems to refer to the big meal that is given out by the deceased person's family before the coffin is carried to the mountain to be buried.

wife brought him food and cigarettes. Hearing that cadres were still after him, bearded Lin left the village in a hurry at night, wearing a straw hat as a camouflage on his head. He was still in hiding by the time of the interview.

Liao Minjun was sentenced to one year in a labor camp. After he was released, Liao continued to resist heavy burdens, which was unique among all leaders. The town government thus trapped him and arrested him again.<sup>77</sup> He was serving a second or even third term in a labor camp at the time of the interview.

Zhang Xiuyuan was detained for a day on January 8, when he went to Zizhou County to make a phone call to Beijing, trying to inform the party center and the central government of the “January 8 massacre.” Later, town cadres tried to arrest him at night. With the help of his wife and children, he escaped from his village. Zhang had opened a small shop in the village. Charging him with tax evasion, the town government confiscated most of his property in the shop, which was worth between a few thousand yuan to 10,000 yuan, a large amount of money for an ordinary peasant in Hunan.<sup>78</sup> Zhang thus lost his business and had to work odd jobs in cities. The town also tried to strip Zhang of his membership in the party.

One leader, an old man in his 60s, fled to Changsha city to avoid arrest. He worked in the city as a migrant worker. One day he fell down from work and became permanently paralyzed. Xie Guiqiang, yet another old peasant leader, died of frustration and anger. When his family was building its house, the town government

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<sup>77</sup> The town government told Liao that he was entitled to some pension, since he joined the military and became one of the first armed policemen in China in 1958. The town asked him to come to the government compound to sign some forms. Liao went there and indeed they let him sign some forms. The next day, they told him to come to the town again to sign some new forms. Other people told him not to go. He said, “What is the big deal? I went there yesterday and nothing happened. How come I cannot go there today?” Liao went there the next day and was handcuffed. Interviews with Guo Weiguo’s brother-in-law and peasants in Xujiaba Village, Oct. 2002.

<sup>78</sup> The town confiscated Zhang’s refrigerator, a TV set, a mattress, tables, chairs, and other items in his shop. Through the intervention of a work unit in the county, Zhang only got his refrigerator back. Interview with Zhang Xiuyuan in Sanyi Village, Changtang Town, Oct. 2002.

singled him out, fined him lots of money, and threatened to tear down the family's new house that was almost complete.

Guo was tried in the county seat of Yuanxiang. Hundreds of peasants went to the court to see the trial.<sup>79</sup> During the trial, whenever Guo spoke, peasants clapped their hands and applauded him. Whenever the judge and others spoke, peasants shouted "Down with Corruption" and "Down with Corrupt Cadres." Guo was at first charged with the crime of illegal gathering, which could be punished with four years in prison. However, later in the same day, right before the court was about to be closed, he was convicted with the crime of attacking the government and sentenced to six years in jail.

Guo and his family suffered tremendously for his leadership role in the protest. After he was arrested, his mother cried often and died in 2000. His grandmother died in 2001. His father was critically ill at the time of the interview. His second daughter had a blood disease that often made her faint. Yet, she still had to work as a cheap laborer; otherwise, she would not have had the money to see a doctor.

### **Protest Collapsed and Peasants Subdued**

After the government arrested the leaders, the protest collapsed and peasants were subdued. According to Zhang Xiuyuan,

Since the peasant movement was oppressed, peasants have lost their hope [in the government]. So they have stopped protesting. Policy is one thing (*zhengce fan zhengce*), [whereas its implementation is another]. The spirit of the masses is low and the masses have become pessimistic.

The local government was determined to use whatever means it took to collect grain from peasants. The county government organized numerous work teams to collect all

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<sup>79</sup> The guards asked peasants for their identification cards, which people in China rarely carry with them while traveling. So peasants returned to their villages, got their cards, and went to the court again which was almost 100 *li* away from their villages.

the grain and money that peasants resisted in 1997 and 1998. While Guo Weiguo and others were leading the protest, local cadres rarely came to his village to collect grain, for peasants would not give it to them anyway. Even if cadres came, they would only ask peasants about when they planned to turn in their grain. The town abolished the education surcharge levied on students for two semesters from 1998-1999.<sup>80</sup> It also officially lowered the taxes and fees levied on land for peasants in Xujiaba Village.

Now that Guo Weiguo and other leaders were in prison, the local government demanded that each peasant household pay back the education surcharge abolished during the protest and pay all the rear taxes and fees that it had accumulated during the protest. Guo's wife, for example, paid almost 1,000 kg of grain to the local government in 2001. To make sure that peasants complied, it sent work teams to villages to collect rear taxes and fees that peasants had accumulated in years. In the peasants' words, "They sent dozens of cadres to rob peasants of the grain that they refused to turn in [during the protest]." Xujiaba Village and Guo Weiguo's team became the main target of the work teams (*zuo zhong dian*).

For ordinary peasants, now that their leaders were imprisoned and their protest suppressed, any sign of resistance during grain collection would lead to severe punishment. In 2001, 56 people from the town government came to Guo Weiguo's team to collect rear taxes and fees. Among the 56 people were town and village cadres, two or three cooks from the village school, grain vendors, and people hired by the town government, whom peasants referred to as "social dregs" (*liu zi*). The peasant family of Liu Fugui in Guo's team became the target. Dozens of cadres dispersed themselves in each and every room of Liu's house, watching closely the behavior of

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<sup>80</sup> The education surcharge levied on students was abolished in the fall of 1998, when the Changtang protest reached its peak and for the spring of 1999, when the local government had not managed to arrest Guo, even though it had suppressed the January 8 meeting.

the family while cadres scooped grain from the granary. Liu had a son who had not turned 17 yet, who was a short and very quiet person. Liu's mother, who was in her 80s, told the grandson to go cut some chives for lunch. The moment the grandson took the chopping knife from the kitchen and before he even had a chance to turn his back, cadres grounded the child down, shouting, "You even hold a knife and intend to kill people" (*chi dao sha ren*)! They grabbed the child's head and rubbed it on the ground until a large piece of skin on his face fell off. He was then handcuffed, pulled to the town government office, and beaten there. The town government only released him when his mother threw herself into a pond.<sup>81</sup> His grandmother was about to jump to the pond too. Without a leader who could organize a protest, the most effective deterrence against the predatory local government became its fear of a peasant's death in grain collection.<sup>82</sup> The team head then made a few comments on the cadres' behavior, saying that the town cadres should have informed the team before they collected grain from this peasant household. "What? You do not even support the town government?! You dare to support the masses?!" said the town cadres. "But you have created such a big incident. What if somebody died? Could we local people not even make one sound? This is our place. I am a team head and also a party member."<sup>83</sup> The team head almost ended up being handcuffed and detained for these comments.

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<sup>81</sup> Fellow villagers pulled her out of the pond.

<sup>82</sup> When such an incident happened, usually the township party secretary would be removed and the town government had to compensate the peasant's family with a large sum of money.

<sup>83</sup> The local expression for "this is our place" is "*wo men shi difang*." This paragraph and the previous one are based on interviews with Guo Weiguo's brother-in-law, the brother-in-law's wife, and Zhang Xiuyuan in Xujiaba Village, Oct. 2002.

## Leaders Demoralized

State repression served its purpose in the Changtang case: to terrorize peasants so much so that nobody dared to lead again. Ever since Guo Weiguo and others were put in jail, whoever decided to lead peasants against heavy burdens was promptly imprisoned to intimidate all the peasants. According to a peasant, “Some [leaders] were arrested. Some were beaten. Some were detained. Who dares to protest again? Nobody. Even if you [the local government] want 1,000 or 10,000 [yuan], nobody dares to be a leader. Peasants have lost their guts” (*mao dan le*).<sup>84</sup>

Peasants’ leaders became demoralized and disillusioned with the party. With the exception of Liao Minjun, who continued to resist burdens and was thus put in jail again, no other leader, including Guo Weiguo, was willing to lead the protest anymore. Guo’s brother-in-law explained their attitude: “Why would any peasant still believe in the party or the government? All they will do is to try to keep their rice bowls and make sure that the government would not arrest them, for when that happened, one could not escape from the jaw of death” (*sili taosheng*).

Zhang Xiuyuan, for example, was frustrated by the fact that by advocating central party policies, as a true communist party member should be doing, his property was confiscated and he was detained and almost put in prison. He thus decided to give up protesting completely and adopted a passive attitude, saying, “Peasant protest against burdens is already suppressed... What is right is branded wrong and what is wrong is branded right. Those who should not be jailed are jailed. If you government wants the grain, I will give it to you. What else can I do? What kind of right to resist do peasants have? After all, peasants are not starving. Neither can we get rich.” To this day, Zhang remains a loyal party member who occasionally chides the town

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<sup>84</sup> Interview with Liu Dequan, a peasant in Xujiaba Village, Oct. 2002.

government for not working for the good of the people. However, he has given up all protest activities.<sup>85</sup>

### **Conclusion**

The Changtang protest (1996-1999) was one of the most influential peasant protests against heavy burdens in Hunan in the 1990s. Peasants carried out a sustained protest in Changtang Town, a typical hilly town in northern Hunan, but not elsewhere because around ten peasants in this town emerged on their own as protest leaders. Leaders provided a shield of protection against state repression, which was precisely what peasants needed in order to carry out protests. The emergence of leaders also made it rational for peasants to protest, thus overcoming the free-rider problem in peasant protest.

Most of the leaders were communist party members. All worked for the party-state at some point in their lives. Though fighting against the local government, peasant leaders in Changtang were also produced by the local party-state. This was not surprising. Because the party-state dominates the political realm in China, it is the only place where peasants could acquire political training and nurture their political activism. Working for the party-state also helped to cultivate the public spirit of some peasants, acquainted them with government policies, and turned them into good orators on these policies. In short, the party-state provided the protest leaders with political capital that ordinary peasants lacked.

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<sup>85</sup> When town cadres came to his house to collect grain one day, Zhang Xiuyuan allowed them to scoop up the grain. Unlike an ordinary peasant, however, Zhang walked to the town mayor sitting in the car that was parked on the road and said, "Why are you, the town mayor, sitting in the car? Are you supposed to guard the car or not? Why do not you come out of the car and visit peasants? Why do not you investigate the true needs of peasants and know their opinions?" The town mayor kept quiet. Even after he gave up protesting, his background as a devoted communist party member distinguished Zhang from an ordinary peasant.

Guo Weiguo, a middle-aged peasant with a high school diploma, the highest degree that a peasant could achieve in China, became the most prominent leader in Changtang. To lead a protest, the most prominent peasant leader not only needed to have political capital, but also cultural capital. While all peasant leaders were good orators and had a good command of the language of the party-state because of their political capital, the most important leader was a sharper political writer, a more powerful political speaker, and a charismatic leader due to his cultural capital.

Because of the dense networks in the countryside, the common interests that peasants shared in having their burdens lowered, and the deep conviction that their protest activities were sanctioned by the party-state, a few leaders in Changtang easily mobilized a large number of peasants in the entire town without organizing them. Peasants in Hunan formed dense networks through dense daily, economic, and ceremonial interactions that were reinforced by a communal cultural norm. These dense networks enabled news to travel fast in the countryside and made it possible for leaders to mobilize peasants easily with few resources and no formal organization. Thus, the Changtang protest was sustained by a loose mobilizing structure, which consisted of dense networks and informal meetings that protest leaders held to coordinate their burden-reduction efforts.

This loose mobilizing structure, however, could not carry the protest to an area larger than a township. While the Changtang protest easily spread from Guo Weiguo's village, which was the protest center to Lin Zhiqiang's village, which was 40 *li* away, it did not spread to Qianzhu Village, which bordered the protest center, but belonged to another county. Though Qianzhu Village was right next door, it was also a county away.

To have a peasant protest that would extend beyond the boundaries of a township, peasants would have to build formal organizations with professional staff

who could coordinate peasants in a large area. Peasants, however, could neither rely on existing religious and ceremonial organizations in their struggle against heavy burdens nor build their own organizations. They could not build formal organizations of their own because they were not professional rebels and they lacked time and money. Further, peasant protest did not challenge the political system, as it was legitimized by the central government. Therefore, the peasants did not even intend to build formal organizations for their protests.

Finally, policy documents on lowering peasant burdens issued by higher levels of the government, particularly the central government, provided the most important weapon in the Changtang protest. The protest started when some peasant acquired these documents and started to disseminate them among peasants. These policy documents provided not only an opening of the political opportunity structure by revealing the division between the central and local government, but also convinced peasants and their leaders alike that the central government endorsed their protest activities. Peasants indeed carried out “rightful resistance” (O’Brien and Li, 2006).

### **Case Two: The Cangyuan Protest and Riot (1996-1999)**

To see if any of these conclusions derived from a single case study can be applied elsewhere, let us now turn to the Cangyuan case.<sup>86</sup> Cangyuan is another typical hilly town in Hunan that has all the problems studied in the first 4 chapters of the dissertation. It also consists of three small townships, which was consolidated into Cangyuan Town in 1995. The town government in Cangyuan also has a few million yuan of debt. It has no profitable TVEs. The peasant burden level was a little more than 100 yuan per *mu* (table A.18), which was similar to the level in Changtang. The

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<sup>86</sup> All the materials on the Cangyuan protest came from the interviews that the author carried out in Shuangdu Village, Cangyuan Town in October 2002. The author interviewed Duan Xiaofeng’s wife, his relatives, a retired town cadre, and a group of peasants.

only difference between the two towns is their different locations. While Changtang Town sits on the edge of the county and is located where three counties intersect, Cangyuan Town is located right in the middle of the county. It is much closer to the county seat than Changtang.

The Cangyuan protest happened at the same time as the Changtang protest (1996-1999). Both turned into a massive riot on exactly the same day (January 8, 1999). It also started when three peasants acquire policy documents and decided to spread them among peasants. The leaders were also old men in their 50s and 60s. They all lived in Shuangdu Village. The Cangyuan protest, however, was much smaller. It only had three leaders, whereas the Changtang protest had around ten. It spread to two to three villages, whereas the Changtang protest spread to the entire town. The Cangyuan protest was also much milder than the Changtang protest. Its leaders did not engage in any disruptive behavior. Nor did they advocate burden-reduction policies on a large scale. It was less successful than the Changtang protest.

The Cangyuan protest ended with the death of a protest leader, which then turned the protest into a massive riot that lasted four days. The following discussion of the Cangyuan case pays equal attention to the protest part and the four days of riots (January 6-9, 1999). The thick description of the four-day riot answers an important research question studied in the peasant protest part of the dissertation: Why was peasant protest against heavy burdens usually limited to a township, whereas a tax riot encouraged by such a protest could easily draw a crowd of peasants from several townships/towns?

### **How It Started**

At about the same time that peasants in Xujiaba Village of Changtang Town in Yuanxiang County were resisting unreasonable burdens under the leadership of Guo

Weiguo, three peasants in Shuangdu Village, Cangyuan Town in the same county also started advocating relieving peasant burdens. Similar to Changtang case, the Cangyuan protest started in 1996 when peasants acquired policy documents. In that year, three peasants from Shuangdu Village read an article from the local newspaper, which was a provincial policy that forbade the local government to tax peasants excessively. The three peasants were determined to help implement the policy.

The case of Cangyuan demonstrated again that the party-state produced peasant leadership. All three leaders in the Cangyuan protest were communist party members. Two of them, Yu Disheng and Duan Xiaofeng, were retired village party secretaries. When Yu retired as the village party secretary, Duan was appointed as his successor, who then retired from the position in the 1980s. A village party secretary is the highest ranking position and the most powerful person in a village. (S)he is a person whose interest is firmly aligned with the local party-state. As mentioned in chapter 1, village cadres govern peasants at the pleasure of township cadres, who are in turn subject to the leadership of county and city cadres. Their main job in the 1990s was to collect taxes and fees from peasants. This structural conflict between village cadres and peasants prevented a village party secretary or any other village cadre who was serving his or her term from leading a peasant protest against heavy taxation.

Retired village cadres, such as a retired village party secretary, no longer shared the same interest with the predatory local state. The political activism and their public spirit that they developed through serving for the local party-state in the socialist and early reform period, their command of the language of the party-state, their knowledge of party policies, and their ability to convey these policies persuasively to peasants enabled some of them, such as Duan and Yu, to lead a protest against heavy taxation. To put it simply, political capital turned some peasants into protest leaders.

The following comments from Duan's wife and peasants demonstrate that the party-state produced peasant leadership in Cangyuan.

Only people who are more enlightened [than others] (*jue wu gao*) and who understand policies (*dong zheng ce*) would do this [meaning leading the protest]. Actually, for them personally, these fees were not a big deal. Even if you had to pay more than 100 yuan extra yourself, it was only 100 yuan. They upheld justice, since they were all retired village party secretaries. Otherwise they would not have come out to do it at all [meaning to lead the protest].—Peasants in Shuangdu Village, Oct. 2002

After all, it was communist party members who were advocating lowering peasant burdens.—Duan's wife, Oct. 2002

The political capital of the three peasants explained why reading a newspaper article alone was sufficient to prompt them to take action and start a protest.

### **Mobilizing Peasants**

Similar to the Changtang protest, the leaders in Cangyuan mobilized peasants through popularizing policy documents and petitioning higher authorities. Through these two mobilization tools, the three leaders, who were all from Shuangdu Village, easily mobilized peasants in the village and in two or three neighboring villages. The leaders did try to persuade other influential people in the village to join their burden-reduction effort. What they did not do, however, was to recruit leaders from other villages. Unlike the Changtang protest, no leader emerged in other villages in Cangyuan Town during the protest. As a result, the Cangyuan protest was much smaller than the Changtang protest which had about ten leaders scattered around in the entire town. Though both protests were civil, leaders in Cangyuan never organized any mass meeting that targeted the town government. Its smaller scale and civility determined that the Cangyuan protest was not as successful as the Changtang protest.

After reading the newspaper article, the three peasants began to advocate lowering peasant burdens among fellow villagers. Similar to the Changtang case, Duan Xiaofeng and others wrote slogans and banners on lowering peasant burdens on red pieces of paper and posted them in the village headquarters (*da dui bu*). Using the village headquarters was not a random selection. A village headquarters is where the office of the village governance is located, usually in a public space in a village. Duan and others also informed fellow villagers about their right to resist unreasonable taxes and fees. Duan was actually very cautious in how he defined peasants' right to resist burdens. According to Duan's wife,

He [Duan] did thought work (*zuo gong zuo*) with other peasants. He told them that the burdens were too heavy. More importantly, he said that some burdens were unreasonable. He did not tell commune members (*she yuan*) not to turn in unreasonable taxes or fees. Rather, he told them to turn in unreasonable taxes and fees *slowly*. Reasonable burdens should still be turned in.<sup>87</sup>

Unlike leaders in Changtang, Duan and others did not use any mass communication tools, such as recorders and propaganda vehicles to broadcast peasant rights to resist unreasonable taxes and fees. Neither did they hold any burden-reduction meetings among peasants.

### **Mobilizing Structure and Leadership Style**

Similar to Changtang, the leaders in Cangyuan did visit one another frequently and held informal meetings among themselves to discuss how to carry out the protest. Unlike Changtang, however, the emergence of three leaders in the protest center failed to lead to the emergence of leaders in other villages. As a result, the Changtang protest spread to the entire town, whereas the Cangyuan protest only spread to two to three

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<sup>87</sup> Interview with Duan's wife in Shuangdu Village, Cangyuan Town, Oct. 2002. Duan's wife was in her 60s in 2002. Duan was not yet 60 when he died in 1999. Duan's wife was an illiterate peasant from a poor family. She still used the terms in the era of the People's Communes and called peasants "commune members" and villages "brigades."

villages that neighbored the protest center. As demonstrated by the case of Changtang and the case of Qizong, which will be studied in the next chapter, it was rare for peasant protest against heavy burdens to be limited just to the protest center. Once a peasant leader emerged in the protest center, a protest started, and it had a natural tendency to spread to an entire town. Why did this not occur in Cangyuan?

I argue that this was due to the timid and unusually disciplined leadership style of the leaders in Shuangdu Village. This in turn was partially a result of the fact that all leaders were veteran communist party members and that two of the three leaders were retired village party secretaries, which meant that they were particularly constrained by party and state disciplines while carrying out the protest. Unlike the leaders in Changtang who traveled around in villages and coordinated their burden-reduction efforts with one another, the leaders in Cangyuan limited their protest activities to their own village and did not try to recruit leaders from other villages. Neither did the leaders in Cangyuan organize any burden-reduction mass meetings attended by thousands of peasants. They only carried out legal protest activities allowed by the local government and did not engage in any disruptive collective action in the village. As explained by the old town cadre,

The three of them visit one another a lot. However, they did not form any clique. Neither did they make coalitions with people in other villages. In our Shuangdu Village, there was no demonstration, no mass gathering, no blocking of traffic, or beating of cadres. They [the leaders] did a good job in following the laws. The People's Representatives of the County made four rules. Those who organized demonstrations and mass gatherings, blocked traffic or attacked others would be sentenced to more than three years and fewer than seven years in prison.—a retired town cadre in Shuangdu Village, Oct. 2002

The particularly civil leadership style in Cangyuan made the protest less contagious than the protest in Changtang or in Qizong. The three leaders petitioned the county and then the provincial government in Changsha city, which served to

mobilize more peasants. A cadre in the provincial government received them and answered their questions. They started popularizing the answer among villagers. When he returned from the petition trip to Changsha city, Duan also brought with him to the village some newspaper article from the province that criticized the numerous education fees that Mayang County (a county in Hunan) collected from students.

Similar to the Changtang protest, common interest, the protection offered by leaders, and their conviction that policy documents equaled the party-state's endorsement of their protest activities made it rather easy to mobilize peasants in Cangyuan. Knowledge of policy documents was sufficient to prompt peasants to rebel. Through reading banners, slogans, and documents posted by protest leaders on village public places and by spreading the ideas by word-of-mouth, peasants realized that they had the right to resist unreasonable taxes and fees. They refused to turn in grain, which then greatly affected the public finances of Cangyuan Town.<sup>88</sup> That policy documents made it easy to mobilize peasants can be seen from the following comment:

There was no need whatsoever to mobilize (*fa dong*) peasants. In our place there are still banners (*heng fu*) posted today. Peasants consciously (*zi jue*) resisted [heavy burdens]...[Peasants] had the right to resist many unreasonable things. [I] can no longer remember exactly what they [meaning taxes and fees that should not be collected from peasants] were, but there were quite a few of them.—peasants in Shuangdu Village, Oct. 2002

Though easily available to cadres and educated people who read newspapers and books and followed the news in TVs, peasants had to wait for the emergence of Duan Xiaofeng and others who popularized policy documents to realize that they had the right to resist heavy burdens. Similar to the Changtang case, the Cangyuan Town

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<sup>88</sup> The town government could not pay its teachers for a few months in 1998, the year when the protest in Shuangdu Village reached its peak. 1998 was also the year when grain collection rate in Hunan dropped significantly, as peasants started to bargain with local cadres over their taxes and fees. So it was hard to tell whether the collapse of the town public finance system in 1998 was caused by the protest or simply by the widespread bargaining or by a combination of the two.

government hid booklets on lowering peasant burdens from peasants and never informed them of their right to resist burdens. According to peasants in Shuangdu Village,

Actually, the Cangyuan Town government received policies on lowering peasant burdens. When they smashed the town government office on January 8, peasants picked up a thick pile of those booklets and took them home. The town government put away all policy documents issued by the central and the provincial government. These documents did not reach peasants. Thus, peasants did not know what burdens should be lowered.

### **Agency and Peasant Leadership**

Once Duan Xiaofeng and the two other leaders decided to become protest leaders on their own, they started to visit one another quite often. They also tried to enlist other influential peasants in the village in their efforts. They visited an old retired town cadre twice who returned to the village to live after his retirement. The retired cadre, however, refused to join them.<sup>89</sup> He said:

They visited me in my house twice, but I decided not to participate [in their efforts]. I told them that I was a state cadre (*guojia ganbu*) and I was retired. I had neither the newspapers nor the documents. I was not aware if the party had the spirit (*jing shen*).<sup>90</sup> I told them that I did not understand this issue (*gao bu dong*). I warned them not to make a mess (*luan gao*). I also told them that if they wanted to do it, first they needed to have policy documents and second they need to have newspapers. [After I declined them], they did not come to my house in two months.

This comment shows that political capital explains the necessary but not sufficient conditions for the emergence of peasant leadership. The retired township cadre shared all the common factors with leaders in Changtang and Cangyuan. He

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<sup>89</sup> This retired town cadre later played an important role in pacifying peasants during the riot.

<sup>90</sup> “Spirit” here means policies.

worked tirelessly for the party-state during the socialist era and the early reform era. Having worked for Cangyuan Town for decades, he was more of a cadre than retired village cadres. He was obviously politically active. He was also public-spirited. Through working for the party-state, he developed a sense of responsibility toward the public. That was why he criticized the local government for being corrupt, bloated, and for collecting too many taxes and fees from peasants. That was also why he agreed to help placate peasants when Duan's death triggered a massive riot. As a former communist cadre, he was well-versed in the language of the party-state and could speak eloquently in public. Though he claimed that he no longer had any access to party policies and spirit, he actually knew party policies on peasant burdens well, for he said: "[The government] has repeatedly issued policy documents [on lowering peasant burdens]. Newspapers have also published '10 must-nots.'"<sup>91</sup> Though his status as a "state cadre" put his interests at odds with those of peasants, because his retirement salary depended on whether or not peasants turned in grain to the local government, it was still possible for retired cadres to support peasants and their leaders rather than the local government, as was the case in the Qizong protest studied in the next chapter.

What he lacked was one trait of character that all leaders shared: courage. The retired town cadre was a cautious person and did not want to confront the local authority. Fundamentally whether a peasant decided to lead a protest or not was an individual decision. Thus, political capital could identify what kind of peasants could possibly lead a protest. It, however, could not predict who among them would make the decision to lead a protest.

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<sup>91</sup> This means ten things that local cadres should not do when they collect grain and money from peasants. For example, they should not confiscate peasants' property or beat them up.

## **Conflict over Tuition and Education Fees**

Just like in the Changtang case, the education surcharge levied on rural students and high tuition became issues of contention between peasants and the town government.<sup>92</sup> The town of Cangyuan collected 12 yuan of taxes and fees from every primary school student and 18 yuan from each junior high school student. The village of Shuangdu also collected some taxes and fees from the students. Yu Disheng, one of the three leaders, thought that this practice was unreasonable. In 1998, he acquired a notification of tuition level for primary students from the Education Bureau of Jiangu City. The level was significantly lower than the amount charged by Yuanxiang County. From a classmate, a retired cadre working for a government agency in Jiangu City, Yu also acquired a book which was a compilation of policies on lowering peasant burdens issued by the provincial government.

Yu told peasants that they should resist these unreasonable education fees and heavy agricultural taxes and fees. He wrote slogans and banners on red pieces of paper and posted them everywhere in the village. Later Yu also acquired a booklet containing 23 rules on lowering peasants' taxes and fees issued by the central government. He copied the entire booklet on red pieces of paper and posted it in the village.

The leaders' activities greatly influenced Shuangdu Village and two to three neighboring villages. Schools in these villages could no longer collect the education surcharge from students. Peasants also refused to pay those agricultural taxes and fees not allowed by policies. The leaders' activities affected the town's public finance gravely. In 1998, as a result of peasant resistance, the town could not pay salaries to its

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<sup>92</sup> This practice was called "collecting rural taxes and fees from students" (*sui du dai zheng*), a practice that peasants everywhere in Hunan hated. This conflict between peasants and the local government was a feature of all peasant protests against heavy taxation in the 1990s. See section "Education Surcharge and Education Fund" in chapter 3 on why the local government in Hunan adopted this practice and could not give it up in spite of peasant resistance.

teachers for a few months. So, the teachers organized a strike, marched to the town seat, and demanded their wages.

Worried that the protest would spread to the entire town and paralyze the town's public finances, the town government tried to persuade peasants in Shuangdu Village to stop withholding grain and money from the local government by denying the authenticity of Yu's documents, a tactic that cadres in Qizong Township also used. In a meeting with peasants in Shuangdu Village, the town mayor told villagers that Yu himself concocted the 23 rules and that the central government issued no such rules. He said that Yu had also concocted the notification of the tuition standard of Jianglu City. Peasants should still pay tuition and fees stipulated by the town government, rather than by any other layer of the government. Peasants in Shuangdu refused. Unable to placate the peasants, the town decided to sit down with the peasants and talk. The town promised to give the village 19,000 yuan on condition that the leaders stop their activities, but the leaders refused.

The local government then decided that the activities of these former village party secretaries had to be stopped. Similar to the Changtang case, county and town government cadres visited the leaders quite a few times not only to carry out "though work" (*zuo gongzuo*), but also threatened them with severe punishment if they did not stop their activities. The local government tried to make the leaders understand the financial plight of the town, an argument that the local government made to peasant leaders in all three cases. They also told the leaders that their activities were illegal and that they should fulfill the tasks.<sup>93</sup> The leaders, on the other hand, insisted that the town lower the burdens somewhat. The two sides were thus deadlocked over the issue.

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<sup>93</sup> As explained in chapter 4, whereas peasants called taxes and fees "burdens," local cadres called them "tasks" (*ren wu*). Whereas peasants called turning in taxes and fees to the local government "turning in grain" (*jiao liang*), local cadres called it "fulfilling tasks" (*wan cheng ren wu*).

## The Town Took Action

Facing tremendous pressure to collect grain from peasants so that it could clear its account with the county, the town decided that it had to subdue Duan and Yu. It made a point of collecting grain from the two. Yu's son paid for his father. Duan, however, insisted that the village should pay him the wages that it owed him first before he would pay his taxes and fees to the town.

As discussed in chapter 1 and 4, rural public finance in Central China in the 1990s was extremely chaotic. On the one hand, peasants had accumulated a staggering amount of rear taxes and fees since 1998.<sup>94</sup> On the other hand, villages, heavily indebted, owed peasants a large amount of wages and their deposits in the two rural funds.<sup>95</sup> Shuangdu Village was no exception. Duan laid bricks for the new village school built during the drive to reach the “two-basic standards” (*liang ji da biao*) and made between 1,200 yuan and 1,300 yuan.<sup>96</sup> The village still owed Duan about 500 yuan. One day after hearing that the village received some school-construction money from the town, Duan went to the village party secretary and requested his wages. The party secretary, however, refused and the two got into a bad quarrel. Duan said: “I am almost 60 years old. I sweat so much on hot summer days [working for the school] that my sweat turned into water that soaked my long rubber boots (*tao xie*). I heard that the village got some money. Why was the money put into your pockets the moment it arrived?”<sup>97</sup> This quarrel between Duan, the retired village party secretary,

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<sup>94</sup> See section “Rear Taxes and Fees” in chapter 4 for details.

<sup>95</sup> See section “Peasant Views on Taxes and Fees” in chapter 4 for wages that villages owed peasants and section “Rural Funds” in chapter 2 for details on how the collapse of the two rural funds contributed to peasant riots and fiscal crisis of townships in Central China in the 1990s.

<sup>96</sup> See section “Weakness of the Local Government and Unfunded Central Mandates” in chapter 2 and section “Reaching the Two Basic Standards” in chapter 3 for details on the drive to reach the two basic education standards in the 1990s and the havoc that it wrought upon rural public finance.

<sup>97</sup> Interview with Duan's wife in Shuangdu Village, Cangyuan Town, Oct. 2002.

and the current party secretary may have contributed to Duan's tragic death a few days later.

Town and village cadres went to Duan's house six or seven times to collect rear taxes and fees from him. Every time Duan insisted that if his left hand received his wages from the village, his right hand would immediately give the money to the town cadres. He would not even put the money into his pocket. The cadres insisted that he should not mix up what the village owed him with what he owed to the town. According to them, Duan had no right to deduct the wages the village owed him from his tax obligation toward the local government. Instead, he should take out money from the small store he opened in the village and pay the local government. Duan refused. He saw no reason why he could not use his wages to pay his taxes and fees.

### **The Early Morning of January 6, 1999**

Angered at Duan's flaunting of their authority, the town and the village decided to "execute" (*zhi xing*) his case, meaning to collect rear taxes and fees from him by force.<sup>98</sup> On January 6<sup>th</sup>, at dawn, 27 people from the town got into two vehicles and drove to Duan's village.<sup>99</sup> According to peasants, other than a few cadres, such as the director of the town, a vice director, and the Director of Politics and Law (*zhengfa shuji*), most of the 27 people were hooligans or social dregs (*liu zi*) hired by the town. The moment they reached the village, they ran to Duan's tiny shop that he opened about two years before. Some pushed Duan and held him still while others searched the shop. They took away more than ten cartons of cigarettes and possibly a few hundred yuan in cash from Duan. The village accountant wrote Duan a receipt. After

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<sup>98</sup> "Execute" was indeed the word used by both local cadres and peasants in Hunan to describe collecting rear taxes and fees from a peasant by force.

<sup>99</sup> Two of the 27 people were women.

raiding Duan's shop, they swiftly rode on their vehicles and headed toward the town seat.

Soon peasants found out that white phlegm was coming out from Duan's mouth and that there was little breath left in him because Duan had drunk pesticide. Peasants put Duan in a vehicle and had him transported to the largest hospital in the county seat, where he was taken to the emergency room. Duan was officially declared dead the next day on January 7<sup>th</sup> in the hospital.<sup>100</sup>

### **Crowd of Peasants Formed**

Like a flood, hundreds of peasants instantly gathered in Duan's village. Rumors spread fast among peasants through word-of-mouth. Rumors, anger, dense rural networks, and Duan's status as a well-known burden-reduction leader helped to swell the crowd of peasants from a few hundred to more than 40,000 in a matter of hours.<sup>101</sup> The crowd gathered in the village, the town seat, and the hospital in the county seat. It consisted of tens of thousands of people from 4 or 5 nearby townships/towns, which covered about 1/8 of the entire county.<sup>102</sup> The crowd was galvanized by Duan's body, gathering on the early morning of January 6<sup>th</sup> when the news of the raid and Duan's death first traveled out. The crowd ransacked the town government on January 8<sup>th</sup>, the day when Duan's body was transported from the county seat to the village and dispersed on January 9<sup>th</sup> when Duan's body was buried.

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<sup>100</sup> It was not clear exactly when Duan died. Some peasants said that he died in the early morning of January 6 on the way to the hospital. Some relatives said that he died in the hospital on that date. Duan was officially declared dead on January 7.

<sup>101</sup> For the role played by rumor and panic in widespread peasant uprisings, see Georges Lefebvre, *The Great Fear of 1789: Rural Panic in Revolutionary France* (New York: Schocken Books, 1973).

<sup>102</sup> The county has 35 townships/towns.

During the four-day riot (January 6-9), Duan's body became the bone of contention between the crowd of peasants and the local government. The local government at first wanted to cremate Duan's body, which Duan's relatives and the peasants categorically refused. It then wanted to bury Duan's body as quickly as possible. The peasants, on the other hand, refused to bury Duan. Some even wanted to borrow the body from the family and hold a burden-reduction meeting. The retired town cadre who refused to join the peasant leaders brokered an agreement between Duan's family and the county government. He also played an important role in burying Duan's body, pacifying the peasants, and dispelling the crowd.

### **Rumors, Anger, Dense Networks, and Public Figures**

The peasants spread rumors about exactly how Duan died. Some said that Duan was beaten to death. Others said that he was strangled to death. Still others said that he was forced to drink a pesticide. Some said he drank the pesticide himself because he was consumed by anger. The raid and Duan's death triggered the outburst of rage that peasants in Cangyuan and elsewhere long felt toward the predatory local state. Just as the common interest that peasants had in lowering their burdens made it very easy to mobilize peasants in the entire town of Changtang, this collective rage of peasants contributed to the formation of the large crowd in Cangyuan riot, as can be seen from the following comments made by peasants in Shuangdu Village in October 2002: "It was precisely because peasants were enraged. Were it not for the rage, it [the riot] would not have been so big."

Three aspects of the raid particularly offended the peasants' sense of justice and how a legitimate government should behave. First, the peasants were outraged that the town government hired hooligans to beat up and threaten the masses. To retaliate,

they ransacked the town government two days later when the news of Duan's death spread among them like fire. One peasant explained the peasant mentality:

Peasants thought that if the local government could beat them up, they could also beat it up (*da zhengfu*). They were angry that the town hired a truckload of hooligans to suppress the people. You are the government. Why did you hire a truckload of hooligans? Had they not done that, peasants would not have ransacked the town government even if Duan died.<sup>103</sup>

Second, peasants thought it unfair for the local government to confiscate Duan's property from his shop because what he owed were agricultural taxes, not industrial or commercial taxes.

Finally, peasants thought that the local government should have behaved with more dignity and should have respected peasants more. They argued,

Even if the state demanded money [from peasants], it should not have rummaged through things and looked for money everywhere in a person's house. It cannot rummage through a family's closets and cupboards. It was inappropriate for a government to do this. This kind of behavior tarnished the image of the government. What kind of government is it that searches for things and looks for money everywhere [in a person's house]?<sup>104</sup>

News of the raid and of Duan's death spread in the countryside rapidly. As explained above, this is less because of modern communication tools than dense rural networks that peasants formed through daily and ceremonial interactions, living in close quarters, and attending market towns or rural markets.<sup>105</sup> That information can travel rapidly to a large area in the countryside without relying on any modern technology can be seen from the description of the Cangyuan riot provided by peasants:

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<sup>103</sup> Interviews with a group of peasants in Shuangdu Village, Oct. 2002.

<sup>104</sup> Ibid.

<sup>105</sup> See section "Networks and the Spread of Information" in this chapter for details.

Many peasants from several towns came. Even peasants from Sanyapu [another town dozens of kilometers away] came. News of this kind traveled really fast. You did not even have to make a phone call or send any message (*song xin*). In a second, people had all come.—Peasants in Shuangdu Village, Oct. 2002

Usually the death of a peasant during grain collection only led to a small riot that involved the victim's family members and fellow villagers. Duan, however, was a public figure. His status as a former village party secretary and a burden-reduction leader made him well known among peasants in a large area. This high "name recognition," so to speak, combined with rumor and the collective anger that the peasants felt toward the predatory local government, turned the Cangyuan riot from a local event to a massive riot that involved peasants from several towns. Similar to the Changtang case where the January 8 meeting turned into a massive riot due to Guo Weiguo's high name recognition which he gained through leading the protest, the riot in Cangyuan was massive rather than local because Duan and others had led a protest from 1996-1998. Without their protest activities, both riots would have been much smaller.

The case of Cangyuan shows that a small scale protest that was limited to two to three villages could lead to a massive riot involving several townships/towns. Though peasant protest in the 1990s against heavy burdens usually could not diffuse beyond the boundary of a township, when combined with massive riots that easily involved peasants from numerous townships/towns or even counties, the situation created an acute sense of rural crisis among the elites. Sustained protest and massive riots sent clear signals to the central government that it was high time to start seriously tackling rural problems that first emerged in the late 1980s and worsened in the 1990s.

The flood of peasants that formed quickly in Duan's village started chasing the two vehicles. The town cadres and the people they hired abandoned the cars in great

fear. All except three cadres escaped from the rice paddy. Peasants caught the three cadres and pushed the two vehicles back to the village. They put the cadres in a car and two peasants guarded it. In spite of their rage, peasants did not physically harm the three cadres.

### **Agreement Reached on the Night of January 7**

Several thousand peasants went to Duan's hospital in the county seat, mostly to make sure that the government would not cremate Duan's body.<sup>106</sup> Drivers offered several rounds of free rides to them.<sup>107</sup> Worried that peasants may attack the county government, the county government had soldiers guard its compound. Inside the hospital, three temporary offices were set up, including the Office of Representatives of the People (*qunzhong daibiao*), the Office of Family Representatives, and the Office of the County Government and the Standing Committee of the County's Party Committee (*xianwei changwei*).

To help placate the peasants, the county called up the retired town cadre in Shuangdu Village, saying "Old comrades need to step out and help solve this issue." The cadre then hurried to the hospital. After hours of intensive and confrontational bargaining, he helped to broker an agreement between the county government and the peasants and relatives of Duan Xiaofeng. The two sides disagreed over two major issues, including what to do with Duan's body and how much money the county government should compensate Duan's family, two major components of all agreements between the local government and families of victims of "bloody peasant incidents" (*xue nong an jian*). Because the body of a peasant who died during grain

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<sup>106</sup> The following five paragraphs are based on the author's interview with a retired town cadre in Shuangdu Village in Oct. 2002.

<sup>107</sup> This was not a case of solidarity between peasants and workers. Rather, it was still a case of solidarity within the same class under extraordinary circumstances. In China, many peasants drive motorized vehicles for a living.

collection always incited a riot, an agreement like this always specified what the family members of the victim should and should not do with the body.<sup>108</sup>

Worried that Duan's body would become a rallying point for the angry peasants, the county government proposed that Duan's body be cremated. The relatives and peasants vehemently disagreed.<sup>109</sup> The old cadre persuaded the county magistrate that there was no way that either the peasants or the relatives would agree to cremate Duan's body, so the county dropped the proposal. It agreed to compensate Duan's family with a "burial fee" (*an zang fei*). Duan's daughter-in-law wanted hundreds of thousands of yuan. The county government only agreed to pay 30,000 yuan. The family refused. The retired town cadre persuaded the magistrate to pay more money to Duan's family and solve the problem on the spot. He proposed 60,000 yuan, to which both sides agreed. He also persuaded Duan's family to accept the county's demand that only 20,000 yuan would be paid to the family on the spot and that the remaining 40,000 yuan would only be paid if the family transported Duan's body to the village and buried it safely. Duan's son signed a 4-point agreement with the county at around 5:00am on January 8. The family quieted down. The peasants in the hospital stopped protesting. Feeling relieved, county cadres left the scene, confident that they had successfully handled another "bloody peasant incident."

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<sup>108</sup> In another case in Hunan where a peasant also died during grain collection, one section of the agreement reads like this: (1) Within one hour after receiving 10,000 yuan, the family members of the dead person should transport the corpse home for safe burial. (2) After transporting the corpse home, the family members should not make trouble with either the village party secretary, the director of the village, or the team head. (3) The two sides have no disagreement over the rest of the agreement. If [family members] carry the corpse and demonstrate with the corpse again, they shall be punished by law. Interviews with peasants in Fengyugang Village, Liugongwan Township, Huaiyang District, Dec. 2001.

<sup>109</sup> Since the 1950s, the state has tried to impose a new burial ritual (cremation) on peasants with little success. A funeral is the most important ceremony in the countryside and peasants continue their traditional burial practices.

This time, however, they proved to be wrong. What happened next caught the local government, the relatives, and the peasants themselves in surprise. Peasants blocked traffic, intercepted Duan's family, and demanded to borrow the body to hold a meeting and to demonstrate against the local government. At least 40,000 peasants from several townships/towns packed the Cangyuan Town seat, ransacked the town government office, and set it on fire. Peasants' collective anger and their behavior in extraordinary moments like this even surprised themselves. In the words of one peasant, "Nobody had expected that it would turn into such a huge event."

### **Town Government Ransacked on January 8**

After the agreement was reached, a truck with Duan's body and a bus with all the relatives headed toward the village. Unexpectedly, soon after they left the county seat, peasants, many of whom came from other towns, moved dozens of motorized vehicles to the road and blocked traffic. They demanded that the family not transport Duan's body to the village. They would not clear the road until the real cause of Duan's death was investigated. The family refused.

When the truck arrived on the outskirts of town, hundreds of enraged peasants pushed and pulled the truck and moved it to the town government compound. Peasants stuck a sign that said "Long Live Duan Xiaofeng!" on the front of the truck and other slogans on both sides. They also brought banners. Some climbed onto the truck. Angry peasants then ransacked the town government office, smashing doors, windows, tables, destroying quilts, clothes, and setting fire to the town government compound. Interestingly, the peasants found piles of booklets issued by higher governments on

relieving peasant burdens and brought them home, information that the town government had been hiding from them. The smashing lasted for more than an hour.<sup>110</sup>

Both the town seat and the village were swamped with mountains and seas of peasants (*ren shan ren hai*). After the town government office was ransacked, the family managed to move the truck back to village headquarters. The peasants, however, did not allow the family to bury Duan's body. According to the old cadre, "Thousands or even more than 10,000 peasants stood in the village and did not allow us to bury the body." Some peasants even wanted to borrow Duan's body and hold a mass meeting.

The county government turned to the old cadre again, requesting him to persuade peasants to bury the body as soon as possible. A vice county mayor told the old cadre,

We still ask you, Old Comrade, to solve the problem. The first priority is to bury the body. Everything else can be put aside at this moment. When the body remains unburied for one day, peasants will riot for one day. When it remains unburied for two days, peasants will riot for two days. Even more peasants will join the riot.

The old cadre then warned Duan's family that if it allowed other peasants to take the body away, there would be no chance that the family could get it back, for the local government would have an excuse to cremate it. "The influence of the corpse displayed on a stage was too bad," he told the family. He also held a meeting of several retired and current village cadres, telling them that the corpse had to be buried that night no matter what: "Without burial there would be no stability," he said. This time, however, Duan's family absolutely opposed the idea, which ran against

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<sup>110</sup> According to peasants, all the town cadres and the county magistrate had fled to the nearby mountain before the angry peasants encircled the town. Somehow, the town government had also moved all its valuable belongings elsewhere, such as cars and TV sets.

traditional burial practices.<sup>111</sup> The old cadre then persuaded the family to postpone the burial only by a few hours and bury Duan's body before 8:00am the next day on January 9.<sup>112</sup> The family agreed. The peasants, however, did not. They refused to carry the coffin to the mountain.<sup>113</sup> The old cadre's son spent the whole night asking around for people to carry the coffin, but everybody refused. Finally the old cadre was able to find a few to help.

In the early morning of January 9, the mountain meal was served with no trouble. Duan's body was finally carried to the mountain, ready to be buried. By now everything seemed to be settled. Suddenly dozens of peasants rushed to the mountain and quickly carried the coffin back to the village headquarters again. "Now this made things really difficult," commented the old cadre. Again he had to persuade the peasants to relent. It was not until that afternoon that peasants agreed to bury Duan's body and the crowd dispersed.

### **The Aftermath**

A day or two after Duan's body was buried and the peasants quieted down, the county government started a propaganda campaign on newspapers and radio. Duan was accused of resisting taxes and fees and committing suicide by drinking poison. The county government also organized a work team of a few hundred county cadres to Cangyuan Town to collect grain from peasants. More than 100 of them were posted in the two or three villages heavily affected by Duan and Yu's burden-reduction

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<sup>111</sup> It is against the traditional custom in Hunan's countryside to bury a person at night. From the interviews, peasants seem to believe that a person's spirit may be damned in eternity when (s)he is buried at night.

<sup>112</sup> A burial at 8:00 a.m. was still too early, but at least it was not at night.

<sup>113</sup> "Mountain" here means the burial ground. In the countryside, the burial ground is usually located in a mountain.

activities. Similar to the case in Changtang, peasants had to turn in the taxes and fees that they refused during the protest. According to them,

We indeed refused to turn in [unreasonable taxes and fees]. However, later when the work team came, we all turned them in. No matter how unreasonable these taxes and fees were, it was useless [to resist them]... Peasants nowadays do not owe the local government many rear taxes and fees. Only the extremely poor families and those working outside [as migrant workers] owe them. The rest have all turned in their grain, since the above [meaning the local government] presses us [on this issue] all the time.<sup>114</sup>

The county government also arrested more than ten peasants who participated in ransacking the town government, among whom two were from Duan's village. They were not tried or sentenced in the court. Rather a mass "sentence meeting" (*shen pan da hui*) was held in the compound of a state-owned enterprise in the county seat. The peasants received much more severe punishment than protest leaders such as Guo Weiguo and Zhang Xiaowei in Changtang Town.<sup>115</sup> Eleven were still serving their sentences in October 2002 at the time of the interview.

Duan's son and one relative petitioned the Letters and Visits Office of the State Council and the Central Committee of the party in Beijing. They were told to return home for the sake of stability and unity and the good of the whole country (*an ding tuan jie, gu quan da ju*). An investigation team consisting of cadres from the central government, the province, and the prefecture interviewed peasants in the town and village. The county's party secretary and the entire leadership of Cangyuan Town were removed. However, Duan's relatives felt that justice was not done because peasants were still in jail, whereas those responsible for Duan's death were not even punished by the party rules. No cadre was put in jail.

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<sup>114</sup> The peasant's expression was "*shangmian hengzhi shi ya.*"

<sup>115</sup> Peasants shared rumors about how a person who took a pot from the town government was sentenced to four years in prison.

## **Protest Results**

Due to its particularly civil leadership style and its small scale, the Cangyuan protest was not as successful as the Changtang protest. Changtang Town abolished the education surcharge levied on students for two semesters and officially lowered taxes and fees for peasants in Xujiaba Village. The Cangyuan Town government, however, never officially lowered the peasant burden level, not even for peasants in Shuangdu Village. Further, while Guo Weiguo and others were leading the protest in Changtang, local cadres did not dare to enter his village to collect grain. When Duan Xiaofeng and others were leading the protest in Cangyuan, however, the town government felt safe enough to collect grain from none other than the leaders themselves, another indicator that peasants in Cangyuan were not as empowered as peasants in Changtang during the protests.

Though the red color had faded, old slogans about lowering peasant burdens could still be seen at the village headquarters. However, after Duan's death and the sentencing of more than 10 peasants, nobody dared to talk about lowering peasant burdens any more. Peasant burdens remained heavy in Cangyuan. The only achievement of the protest and the riot was that peasants in Cangyuan Town could deduct whatever the village owned them from the taxes and fees levied on them by towns and villages.

The Cangyuan protest lasted three years (1996-1999). It was much smaller than the Changtang protest. Similar to Changtang, the protest started when three peasants acquired policy documents and decided to publicize them among villagers. Its three leaders were also a product of the party-state. All of them were communist party members and two of them were retired village party secretaries. The leaders, however, were particularly civil and did not engage in any disruptive behavior. This leadership style and the small scale of the protest decided that the Cangyuan protest

was less successful than the Changtang protest. In both cases, leaders easily mobilized peasants without building any elaborate organization because they provided peasants with a shield against state repression, because peasants shared the common interest in having their burdens lowered and a deep conviction that the party-state endorsed their protest activities, and because the dense rural networks enabled news to travel rapidly in the countryside. These dense rural networks, combined with rumor, collective anger, and the death of a well-known public figure (Duan Xiaofeng) turned the small protest in Cangyuan into a massive riot involving peasants from four to five townships which lasted for four days.

### **Conclusion**

From this detailed study of peasant protests in Changtang and Cangyuan, we can see that in order for peasants to carry out sustained and organized protest, peasant leaders had to emerge. Without leadership, peasants were incapable of sustained protest in spite of their deep grievances against the predatory local state because the peasants needed a shield of protection against state repression. Peasant leadership provided precisely this shield which then empowered ordinary peasants. Peasant leadership also helped peasants to overcome the free-rider problem, as leaders shouldered all the risk involved in peasant protest and made it rational for peasants to protest rather than acquiesce.

Most leaders in the Changtang protest and all three leaders in the Cangyuan protest were communist party members. All leaders in the two cases worked for the party-state at some point in their lives. Some had joined the military. Some were retired village cadres. Many were team heads. Some worked for the township and other government agencies briefly. None was an ordinary peasant playing no role whatsoever in the local party-state. All peasant leaders shared several common

characteristics. They were politically active and publicly-spirited. They knew the importance of party policies and had a good command of the language of the party-state. They were also good orators and could communicate party policies well to peasants. These were all qualities that they acquired through working for the local party-state.

It was not surprising that the qualities that enabled some peasants to lead a protest against the local state were acquired from none other than the local party-state itself. Because the party-state still dominates the political realm in China, it is the only place where peasants can acquire political training, nurture their political activism, acquaint themselves with the party-state's policies, and gain the experience of communicating these policies to peasants orally and help implement them in the countryside. Thus all peasant leaders were good public orators. Both that peasant leaders provide a shield of protection against state repression and that they are produced by the party-state come from the same structural constraint peasants in China face: the party-state dominates the political realm in China. Thus, I have developed a structural theory of peasant leadership in this chapter. This theory specifies the necessary but not the sufficient conditions for the emergence of peasant leaders.

Relying on dense rural networks, leaders in both protests mobilized peasants quickly without organizing them and with few resources. This loose mobilizing structure which consisted of leadership and dense rural networks prevented peasant protest from expanding beyond the boundary of a township. The Changtang protest, which succeeded easily in mobilizing peasants in the entire town, failed to build coalitions with a protest event that was occurring right next door because this next-door-village happened to belong to another county. Though peasant grievances against

the local predatory state were universal, sustained peasant protest in the 1990s was township-bound.

These dense rural networks and the peasants' collective rage against the local predatory state, when combined with the high name recognition of a peasant protest leader, could easily lead to massive tax riots that involved tens of thousands of peasants from several townships/towns. Such was the case in both the Changtang protest and the Cangyuan protest, both of which ended with a massive riot on January 8, 1999. A riot required much less organization and coordination than a sustained protest, so a township-bound protest or even a protest that was limited to a few villages, as was the case with the Cangyuan protest, could easily lead to a massive riot.

Finally, policy documents provided the most important weapon for peasants during their protest. Both protests started when some peasants acquired policy documents. The mobilization efforts of both protests focused exclusively on popularizing the documents among as many peasants as possible. Policy documents legitimized leaders' activities and peasants' demands and played an important role in the diffusion of the protest. As shown in the Changtang protest, peasant protests in different townships, though separate and failing to establish a unified leadership, did influence one another through borrowing policy documents from one another. Given the importance of policy documents, it was not surprising that the town government in both Changtang and Cangyuan hid the documents from peasants. Both town governments clashed with peasants over these documents, such as tearing down slogans that peasants posted and denying the authenticity of the documents that the peasants acquired.

Did these conclusions derived from studying two cases of peasant protest in northern Hunan hold elsewhere in Hunan, and by implication, in Central China? To

answer this question, let us now turn to one more case of peasant protest in central Hunan and one case of peasant acquiescence in the south.

**CHAPTER 6:**  
**RADICALISM IN CENTRAL HUNAN AND ACQUIESCENCE IN THE**  
**SOUTH**

This chapter will study one case of militant peasant protest in Qizong Township in central Hunan and one case of peasant acquiescence in Dong County in the south. Peasant protest in Qizong Township, Qinggang City in central Hunan was one of the most militant, most thorough, and most successful protests in Hunan in the 1990s. Peasants here carried out two rounds of protests in the 1990s. Unlike the two cases studied in the previous chapter, the Qizong protest featured mutual kidnappings between peasants and the local government (*guan zhuo min, min zhuo guan*). Peasants here encircled and attacked (*wei gong*) the township government office several times. They even ransacked the county government office and smashed its plate, a symbolic act in China which denounced completely the legitimacy of the county government. Peasants in Qizong negotiated with the town government, established their own school, and founded an informal protest organization. The Qizong protest was also far more successful than either the Changtang or the Cangyuan protest. It was the only case out of the three where peasant burdens indeed got lowered and remained low even after the leaders were put in jail. Therefore, the Qizong protest differed greatly from the previous two cases. Studying this protest as the third positive case widens the variances among the cases and enables me to answer with more confidence why some peasant protests were more successful than others.

The Qizong protest, though significantly different from the protests in Changtang and Cangyuan, shared some similarities with them, including the emergence of peasant leadership, the way that the protest was diffused, and the role played by policy documents in the protest. Thus, the case of Qizong strengthens the

arguments made in the last chapter on peasant leadership, mobilizing structure, policy documents, and protest diffusion. Finally, because Qizong Township is located in central Hunan, it makes the study more representative. It shows that peasant protest in the 1990s was not limited to certain parts of Hunan but was rather widespread.

As KKV (1994) has argued, we need to avoid selecting on the dependent variable. To show that the emergence of leaders is necessary for peasants to carry out organized protest, we need to compare positive cases with negative ones. While peasants in many areas in Hunan failed to protest in the 1990s, this author decided to study peasant acquiescence in Dong County in southern Hunan for two reasons. First, the local government in Dong County was particularly predatory in the 1990s. Though located on a plain surrounded by mountains, the local government collected as many taxes and fees from peasants as a lake county in northern Hunan. As we have seen from the first four empirical chapters, due to extraordinarily high common production fees, peasant burdens in lake areas were the heaviest in that decade. Second, peasants in Dong County were notorious nationwide for their brutal political extremism during the Cultural Revolution, which shows that peasants here were capable of organizing and even dying for political goals. Therefore, it was all the more puzzling why the peasants could not carry out a township or even village-wide protest when their own material interests were at stake, particularly when we take into account the fact that Hunan and many other grain-producing provinces were engulfed in peasant protest in the 1990s.

## **Part I: Peasant Protest in Qizong**

### **Introduction**

“We are a famous rebellious township” (*zao fan xiang*)—this was the first thing that peasants told the author when she first arrived in Qizong Township in the

summer of 2004.<sup>1</sup> Qizong Township lies in central Hunan. It is hilly and mountainous. It is a middling township in Qinggang City of Xiangyang prefecture, meaning it is neither rich nor poor.<sup>2</sup> The township has about 45,000 peasants and little land. Each peasant only has 0.3 to 0.4 *mu* (*san si fen*) of land, which is about 30% of the average land-holding size in Hunan. Most peasants here, just like elsewhere in rural Hunan, work odd jobs in cities. Though the provincial government designates Qinggang as a poor county, Qizong Township is no poorer than a typical township in Hunan.

The peasant burden was a little more than 40 yuan per person on average, which was similar to the level in Changtang and Cangyuan.<sup>3</sup> Again, this burden level was high, but not unusually so, particularly compared to the burden level in lake areas, where a peasant may have to pay as much as more than 300 yuan.<sup>4</sup> The current township took its shape in 1994 when Qizong Township was consolidated with Qianjiang Township and formed the current Qizong Township, which was about twice the size of the original Qizong Township.<sup>5</sup> (Henceforth, the Qianjiang Township that

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<sup>1</sup> All the information on the Qizong protest is based on interviews that I carried out with peasant protest leaders, their relatives, and ordinary peasants in two villages in Qizong Township, Qinggang City in summer 2004. Altogether, I made two field trips to this township and talked to more than 10 peasants on each trip. The first group interview took place in a village near the township seat. The second occurred in Baishiqiao Village, the protest center. The main speaker of the first group interview was an old communist party member who was an activist but who was not a peasant leader. The main speaker of the second group interview was Zhou Pucheng, a peasant leader who was imprisoned for 51 days in 1996 and then for three years from 1998-2001. During my first interview trip, I talked to a group of peasants, a few of whom were peasant activists. During the second trip, I interviewed several peasant leaders, Xie Weimin's wife, his brother and sister-in-law, and several ordinary peasants.

<sup>2</sup> Qinggang City, just like Sishui City, is a county-level city (*xian ji shi*).

<sup>3</sup> Peasant burdens in the 1990s included both those levied on land and those levied on a person, or head taxes. Even though the burden level in Qizong township looked low, it was about the same as elsewhere in Hunan due to the unusually small size of land-holdings in this township.

<sup>4</sup> This is not to deny that Qizong Township charged an exorbitant amount of taxes and fees from peasants in the 1990s. It is only meant to compare peasant burdens in this township with other places in Hunan, showing that it was not the degree of peasant burden per se that caused peasant protest.

<sup>5</sup> See "Power of the Local Government and Two Central Policies Gone Awry" in chapter 2 for details on the policy of consolidation of townships and its impact on rural public finance.

was merged with Zizong township in 1994 is referred to as the original Qianjiang Township. The small Qizong Township that was consolidated with Qianjiang Township is referred to as the original Qizong Township.) Although Qizong Township, rather than Qianjiang Township, has gained a reputation for being rebellious, it was actually peasants in the original Qianjiang Township, rather than those in the original Qizong Township, who rebelled twice in the 1990s.<sup>6</sup> The first round happened as early as in 1993, the same year when peasants in Renshou County in Sichuan province rioted.<sup>7</sup> The second round lasted from 1996 to 1998.

### **The First Round: Leaders and Parents Association**

The protest in 1993 was triggered by a rapid tuition increase.<sup>8</sup> Similar to the two northern cases, it also started when several peasants acquired a policy document on tuition standards and decided to popularize them among peasants. A dozen or so peasants emerged on their own as leaders of this protest. All worked for the party-state, many as team heads. Similar to the Changtang protest, the most charismatic peasant, the most eloquent public speaker, and the best political writer among the peasant leaders became the most prominent leader in the Qianjiang protest. The mobilization of peasants in Qianjiang also focused exclusively on popularizing the documents among as many peasants as possible through various ways, such as holding meetings, posting documents and slogans in village public spaces, or copying documents and relaying them among peasants. The same two issues also became the

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<sup>6</sup> This was because Qianjiang Township no longer existed after the consolidation of the two townships in 1994.

<sup>7</sup> The Renshou protest was the earliest case of peasant protest in the 1990s that both the Chinese and western media reported widely.

<sup>8</sup> All materials on both rounds of the Qizong protest come from my two group interviews with peasants and their leaders in Qizong Township in summer 2004. When not specified, the information comes from the second group interview, rather than the first. Each group interview lasted several hours. The second group interview was taped, whereas the first one was not.

point of contention between peasants and the local government, including (1) whether the documents which peasants acquired were authentic and (2) whether the local government had legitimate reasons not to implement policies issued by higher levels of the government, even if the documents that peasants acquired indeed existed.

Unlike the other two cases, however, peasants here established an informal township-wide organization, called The Parents Association of Qianjiang Township, which consisted of one or several village representatives from each of the 18 villages of the entire Qianjiang Township. The association carried out an orderly and persistent protest against the local government over the increased tuition, negotiating with the local government for three days and nights in a row. Surprisingly, the local government agreed to return a portion of the overcharged tuition. The success of the first round would lead to a militant protest three years later.

When the fall semester started in 1993, the tuition for schools in Qianjiang Township suddenly increased by several dozen yuan, reaching more than 300 yuan per student. The peasants were enraged. Contrary to what they learned from television and radio, their burdens, especially tuition for their children, increased year after year. One peasant read a No. 33 document from the local newspaper issued by three bureaus of the county. The document set a ceiling of tuition, which was much lower than the amount that peasants in the township were asked to pay for the new semester. He then contacted several peasants, including Xie Weimin, a middle-aged peasant from Baishiqiao Village.<sup>9</sup> He told the peasants that the local government was corrupt and that they should use policies and laws to protect their interests. After reading the No. 33 document and comparing their tuition level with the ones stipulated by the provincial government shown on television, several peasants decided to protest against

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<sup>9</sup> Xie was 39 that year.

the high tuition. The document became the policy and the legal basis on which peasants made their claims against the local government. Several peasants became protest leaders who quickly mobilized peasants in the entire township.

### ***Organization***

Unlike in Changtang and Cangyuan where no protest organization was built, peasants in Qianjiang established an informal township-wide organization. Peasants in each of the 18 villages in the township elected several village representatives who held a meeting and formed an organization, called “The Parents Association of Qianjiang Township” (*jia zhang xie hui*). Altogether, the association had more than 80 representatives, among whom about a dozen emerged on their own as core activists during the protest. The Parents Association, just like the Temporary Council on Lowering Peasant Burdens that peasants in Qizong established in the second round of the protest, was a temporary and informal protest organization. The association was temporary because it disbanded immediately after peasants succeeded in lowering tuition in 1993. It was informal in the sense that it had no professional staff, no fixed office, no budget, and no rules.

Nevertheless, this informal township-wide organization greatly increased the ability of the leaders in Qianjiang to coordinate their protest activities, because the representatives in each village not only provided a fixed linkage point between the leaders and peasants, but also formed a fixed channel for the leaders to coordinate their burden-reduction efforts. Specifically, once leaders made decisions, they could always count on the representatives to implement the decisions, to mobilize the peasants, and to coordinate the protest. Village representatives thus played an important role in the protest. They collected donations, relayed the leaders’ decisions to peasants, distributed pamphlets, made banners, popularized policy documents, and

mobilized peasants. All in all, village representatives were peasant activists that formed the transmission belt between leaders and peasant followers. They drastically increased the ability of the leaders in Qianjiang to coordinate the protest. As a result, the Qianjiang protest had a higher degree of coordination as well as a more developed organization than the Changtang and Cangyuan protests. In the latter two protests, peasants were mobilized through dense rural networks without establishing any fixed channel of communication between themselves and peasants in each village. As we will see later, better organization made Qianjiang protest more militant, more persistent, and ultimately more successful. Organization, therefore, does not diminish poor people's disruptive power, but rather facilitates it.

### ***Leadership***

Just like the two northern cases, every leader in the Qianjiang protest was a man. Some were demobilized soldiers, similar to those in Changtang. Unlike the two northern cases, though, few leaders in Qianjiang were communist party members. Most of them were middle-aged peasants. Most also had a high school diploma, which distinguished them from the leaders in Changtang and Cangyuan.

The Qizong protest illustrated yet again that the party-state produced peasant leadership. The dozen or so peasant leaders in Qianjiang were all politically active before they started the protest. They all worked for the party-state, most as team heads, the low-level cadres (*ji ceng gan bu*) in charge of the last administrative layer in the countryside. On the one hand, a team head is a public figure in charge of a team, which consists of dozens of peasant households. Team heads perform a public role for the party-state, which relies on them to convey its messages and policies to peasants. Therefore, team heads are politically active. Through working at the very end of the "reach of the state" (Shue 1988), team heads receive political training, develop a

public spirit, acquaint themselves with party policies, grasp the language of the party-state, and relay party policies to peasants. On the other hand, in the 1990s, a team head in Hunan was only paid tens of yuan a year whereas a village cadre was paid a few thousand yuan a year. Furthermore, team heads did not perform as many administrative functions as village cadres, such as collecting grain and money from peasants on behalf of the township government. As a result, unlike village cadres, team heads shared the same interests with peasants, rather than with the local government. This crucial difference between village cadres and team heads determined that a serving team head could lead a protest, whereas a serving village cadre usually could not.

In both the Changtang and the Qizong protests, several leaders were serving as team heads, including Guo Weiguo, the most prominent leader in the Changtang protest, “Bearded Old Lin” in the Changtang protest who resembled a professional rebel the most, and Chu Hansheng, a leader in the Qizong protest. It was not surprising that team heads played such an important role in peasant protest in Changtang and Qizong. More leaders were team heads than either retired village cadres or demobilized soldiers because it was easier to become a team head than become a village cadre or join the military.

That the leaders in the Qizong protest were a product of the party-state could be seen from the following self-explanation provided by Zhou Pucheng, one of the leaders sentenced to 51 days in prison in 1996 and 3 years in prison for his protest activities in 1998.

Leaders are progressive figures who are socially conscious (*shehui jinbu renshi*). They understand the party’s policies more [than others] because they need to popularize the party’s policies. They are also more acquainted with (*da jiao dao*) the party’s policies [than others]. For example, after I was demobilized from the military, I became a team head. As a result, I know quite a lot about the party’s policies.—Zhou Pucheng, summer 2004

This comment shows that peasant leaders were those peasants who nurtured their political activism and public spirit through working for the party-state, particularly through familiarizing themselves with the party's policies and popularizing them among peasants.

Again, the Qizong protest demonstrated that whether or not a peasant decided to become a leader was ultimately an individual decision. Not every public-spirited peasant who once worked for the party-state, who was well-acquainted with party policies, and who was a persuasive public speaker would decide to become a leader. For example, the peasant who provided the leaders in the Qizong protest with the policy document shared many common characteristics with peasant leaders in Changtang, Cangyuan, and Qizong. He was also a political activist and a public-spirited person. He was a communist party member and a former village party secretary. He once worked for both the township and the county government. His background combined the life experience of Zhang Xiuyuan in Changtang and Duan Xiaofeng in Cangyuan. His political training and public spirit explained why he was able to provide documents for peasants in Qizong in both rounds of the protest. Zhou Pucheng described him:

He is a peasant. (However), he used to be a village party secretary. He also worked in the township government and the county government. He is not only motivated (*you ji ji*) but also progressive (*you jin bu*). He has advanced thoughts (*xianjin sixiang*). He also likes to avenge wrongs (*bao bu ping*).

This peasant, however, decided not to become a leader himself. Further, he decided to quit the protest when it became increasingly militant during the second round (1996-1998) and when it appeared that the local government would crack down on it.

### *Xie Weimin*

Among the ten or so core activists, Xie Weimin, a middle-aged peasant with a high school diploma emerged as the most prominent leader. His village, called Baishiqiao, became the protest center. It was also the village where the protest originated. Xie Weimin shared many similar characteristics with Guo Weiguo, the most prominent leader in the Changtang protest studied in the previous chapter. Both had a high school diploma. Both worked for the party-state. Both were powerful political orators and political writers. Both were public-spirited and well-respected by villagers. Both were charismatic leaders. Both were courageous.

The leadership role of both Guo Weiguo and Xie Weimin rested upon their ability to speak well in public and to write pamphlets, slogans, and petition letters. In other words, they could represent the interests of the peasants. Thus both were articulate peasant intellectuals, good orators, and good political writers. Neither was an ordinary peasant. While Guo Weiguo was one of the few, or perhaps the only peasant leader with a high school diploma in the Changtang protest, most of the leaders in the Qizong protest had graduated from high school. Hence, the role of Xie Weimin as the most prominent leader was not based on his cultural capital alone, but rather on his comprehensive leadership qualities. He was simply the most effective and charismatic leader, as can be seen from the following description of Xie provided by a township cadre in Qizong:

He is a peasant and he does not have a normal job (*zhengchang zhiye*).<sup>10</sup> However, he speaks well and has certain ability to instigate the peasants. He is rather active (*huo yue*) and has good support from the masses (*qun zhong ji chu hao*).<sup>11</sup>

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<sup>10</sup> Criminals in China are very often described as not having a normal job, a social category that implies that the person is less than worthy.

<sup>11</sup> Interviews with Qizong Township cadres, summer 2004. Unlike the two northern cases studied in chapter 5, I was able to interview some township cadres and obtain their perspectives on the protest

Both Guo Weiguo and Xie Weimin worked for the party-state. While Guo Weiguo joined the military when he was young and was a team head when he was leading the protest, Xie Weimin once worked for the Propaganda Team (*xuan chuan dui*) of the village. As a result, Xie was a good public orator. Similar to Guo Weiguo, Xie Weimin was a man with a public spirit and was well respected in the village. According to Zhou Pucheng,

Xie respects the old and loves the young (*zun lao ai you*) in his village. He always helps out those in need. He is angry at those who oppress the weak. He thinks that the local government has oppressed the peasants too much. He is willing to sacrifice all he has and do good deeds for peasants.

In spite of all these similarities, Xie Weimin differed from Guo Weiguo in three aspects. First, Xie Weimin was not a communist party member. Second, he did not serve in the military when he was young. Finally, while both were courageous, Xie Weimin was more fearless of state repression than Guo Weiguo. Neither Guo Weiguo nor Xie Weimin was afraid to confront the local authority. However, while Guo Weiguo and other leaders in Changtang, such as Zhang Xiuyuan, led the protest partly because they thought the state would not punish them because they were helping the central government implement its rural policies, Xie Weimin and other leaders in Qizong led the protest even though they did anticipate state repression. Xie Weimin was not afraid of being imprisoned. He once told the local government that there was no way that it could suppress peasants. “Even if you arrest me, Xie Weimin, there

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because during my first field trip to the township, the township cadres “invited” me to “stay” with them. The township party secretary and other important township officials thoroughly checked my letter of introduction and documents, and questioned me. But they did answer my questions about township finance and the rural tax-for-fee reform and provided their perspectives on the protest. They escorted me out of the township and called Beijing the next day to verify my identity. The first field trip, though somewhat risky, was very helpful, for it helped me locate the protest center. A few days later, I secretly returned to the protest center, and finished my interviews there.

would be thousands and tens of thousands (*qian qian wan wan*) of Xie Weimins.”<sup>12</sup>

That Xie Weimin was a fearless peasant intellectual could be illustrated from the following comment made by a peasant activist:

Xie Weimin is an educated and cultured person. He has a high school diploma. He is not a communist party member. He has a courageous spirit and is willing to try new things (*gan chuang gan gan*). He is not afraid (of state repression). Even imprisonment does not scare him. He has never regretted (leading the protest), for it was his own decision. He told his wife that it was fine for her to suffer some hardship at home<sup>13</sup> while he was imprisoned, because he believes that one day the communist party will become just. It will not remain as corrupt as it is now.<sup>14</sup>

### *Leadership Style in Qizong*

This fearlessness was not limited to Xie Weimin. It spread to other leaders in Qizong. Leaders in Qizong were the most fearless among the three cases for two reasons. First, they felt that they had nothing to lose by leading the protest. When asked why he and others were willing to lead the protest and suffer tremendously as a result of their leadership role, Zhou Pucheng answered:

Chairman Mao says that wherever there is exploitation and oppression, there is resistance... At that time (township governments) everywhere demanded all kinds of random fees (*luan shou, luan gao*). I have three school-attending children. He (a second leader) has three school-attending children. He (a third leader) also has several children who go to school. We are all people whose burdens are heavy. So we decided to become leaders (*chu zhege dou*). It was

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<sup>12</sup> This quotation came from an interview with Xie Weimin’s brother in Baishiqiao Village, summer 2004.

<sup>13</sup> The Mandarin for this phrase is “*zai jiali ku yidian mei guanxi.*”

<sup>14</sup> Interview with an old peasant activist in Qizong Township, summer 2004. This was an old peasant in his 70s who joined the Chinese Communist Party in the 1940s. He was not a leader of the protest. However, he often wrote petition letters to higher levels of the government. He wore a badge with a picture of Mao Zedong every day because he missed the good and uncorrupt cadres of the Mao Zedong era. In spite of his political activism, some peasant leaders thought that he lacked a sense of justice because he wiggled out of imprisonment when the local government cracked down the second round of the protest. This case shows that political activism, a public spirit or a sense of justice, and courage all have to be present to produce a peasant leader.

related to our self-interest. There was no other way out. To live is to be oppressed. To be imprisoned is also merely to be oppressed.—summer 2004

This mentality can also be seen from the following quotation where an ordinary peasant explained why peasant protest broke out in Qizong:

For peasants, food is the most important thing (*min yi shi wei tian*). When they had nothing to eat and when they could no longer make a living, they got organized and started to protest against heavy burdens.—an ordinary peasant in Qizong Township, summer 2004

Second, they firmly believed that justice was on their side, that the party and the government would be reasonable (*jiang daoli*), and that their policies should take care of peasants' interests. According to Xie's brother,

We peasant representatives are just, we have not committed any crime, and we have never been scared [of the government]. We believe that the people's government will be reasonable... I am not afraid, because I am just. If I were unjust and broke any law, you could punish me accordingly. If I deserve to be shot dead (*qiang bi*) because of what I did wrongly, you could put me to death. I would face it with no grudge.—summer 2004

Though in all three cases, peasant leaders emerged when they acquired policy documents on lowering peasant burdens, the mindset of the leaders and the justification for peasant resistance against heavy burdens in the three cases differed somewhat. In Changtang and Cangyuan, policy documents provided not only an opportunity, but also a justification for rebellion. In other words, the right to rebel was granted by higher authorities. It was derived from party policies. Both the Changtang and the Cangyuan protests were indeed policy-based resistance. The Qizong protest, on the other hand, though legitimized by policy documents, was also partly based on the peasants' right to survival and the moral obligation of the government to allow peasants to make a living. Thus, the Qizong protest combines elements of both the

moral economy argument made by James Scott (1976) and Elizabeth Perry (2008) and the rightful resistance argument made by O'Brien and Li (2006).

In summary, the Qizong protest was the best organized of all three cases. Its leaders were also the most fearless. The organization and fearlessness of its leaders explain why the Qizong protest was the most militant, the most successful, and the most persistent of the three cases. They also explain why the breakdown of local authority was the most severe in Qizong.

### *Negotiating with the Local Government*

The Parents Association negotiated hard with the township over tuition for three continuous days and nights. More than 80 peasants representing the 18 villages of the township marched to the township, all wearing a piece of red cloth on their breast pocket, with the words “Representatives of the Parents Association” written on it with chalk.<sup>15</sup> The representatives lined themselves up and marched in a soldier-like fashion from three villages, one from the protest center—Xie’s village, one from Qianshui Village, the remotest village of the township that lay deep in the mountains, and the third one from some other village. The three troops merged into one near the gate of the township compound. Both Xie’s village and Qianshui Village were to play an important role later in the second round of the protest.

The representatives in Qianjiang protested in such a peculiar form because they wanted to carry out an orderly protest and they did not want to be taken for a mob.<sup>16</sup>

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<sup>15</sup> As explained in chapter 5, in China, red conveys joy and life, whereas black means sadness and death. It was somewhat surprising that peasants used chalk rather than ink to write words on the red cloth. It may be because chalk was much cheaper than ink and because it was much more convenient to write with chalk than to write with a brush with ink.

<sup>16</sup> Asked whether it was the idea of the demobilized peasant-soldiers among the leaders to protest in such a peculiar form, peasant leaders in Qianjiang replied that though several leaders were indeed repatriated soldiers, it was not necessarily the peasant-soldiers’ idea to protest in such a way. Rather, it was because all the peasant leaders were educated people.

The red cloth and the marches helped to maintain order and prevented outsiders from mixing with the representatives and spoiling their plan. They distinguished peasant representatives fighting for a cause from a peasant mob. This march was the first sign that the Qizong protest was far more organized and far more persistent and effective than the two northern cases.

Anticipating the violence and destruction of a peasant mob, the township closed down its dining hall and every cadre had left the compound. During the negotiations between peasants and the township, peasants in nearby villages cooked for the representatives and brought them rice, dishes, and tea. The township compound was empty when peasant representatives arrived. Later, a township mayor arrived. Peasant representatives first asked him if he could be in charge and refused to negotiate with him after he said “no.” Around dinner time that day the township party secretary finally showed up. He asked the peasants to select three representatives to talk to him, which the peasants did. These three representatives and two or three others then formed the leadership of the protest in Qizong. These five or six leaders consistently participated in a series of negotiations with the local government and petitioned higher authorities. So, peasant leaders were formed through interaction with the local government.

Similar to the Cangyuan case, the township party secretary in Qianjiang first tried to deprive peasants of their legal and policy basis to resist by denying the existence of any policy document on lowering peasant burdens. When the peasant representatives asked him if he had read the No. 33 document, he told them that there was no such document. When they showed him the document, he said, “Oh, this. This I have. I put it in the drawer and have not paid attention to it.” Peasants then criticized him for not even taking a look at a policy document of the county government and for not implementing the policy and charging so much money for tuition. Just as in

Changtang and Cangyuan, the party secretary then started to explain to the peasants that the township government, particularly the school district of the township (*xue qu*), faced severe fiscal difficulties.<sup>17</sup> “This is a way out when there is no way out,” he said. Peasant representatives retorted, “You simply transfer burdens to peasants when you have no way out. What can we peasants do when we have no way out?”<sup>18</sup>

Because the two sides could not solve their differences, the negotiation then moved to the next bureaucratic level. Later that night, both the Director and the Party Secretary of the rural district (*guan qu*) arrived.<sup>19</sup> The district director, upon arriving, carried with him a thick book entitled *A Complete Compilation of Chinese Laws* (*zhongguo falu daquan*). He told the peasants: “Be quiet, be quiet (*bu yao nao, bu yao nao*). [We] the masses (*da jia*) do not understand laws. Let us study laws together. If we do not study laws, we tend to make mistakes and break the law.”

The peasant representatives retorted: “It is you who have not studied the law and thus whatever you do is against the law. The No. 33 document is a piece of written law (*ming fa*) and you do not carry it out. So we will not study laws with you at this moment. We will only talk about the question of tuition now.” No agreement was reached the next day.

After three nights and days of hard negotiation, the county’s Bureau of Education and two other bureaus finally agreed to return the overcharged tuition to the peasants, which was about 70 yuan for each primary school student and more than 80

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<sup>17</sup> In northern Hunan, the same institution was called a rural United-School (*xiang lianxiao*). Both were agencies sent down to a township by a county’s Bureau of Education.

<sup>18</sup> In Chinese, *Ni men meiyou banfa de banfa, jiushi wang nongmin shenshang tui. Wo men meiyou banfa, zenme gao?* Interviews with peasant leaders, their relatives, and ordinary peasants in Qizong Township, Qinggang City, August 2004.

<sup>19</sup> *Guan qu* or the rural district was the administrative layer that lay between the county and the township. A rural district was in charge of a few townships. It was abolished in 1995 during the consolidation of townships. See “Power of the Local Government and Two Central Policies Gone Awry” in chapter 2 for more details.

yuan for a junior high school student. After the agreement, the peasant representatives went home and the Parents Association disbanded. No cash was returned to peasants, however. Only about a quarter of the overcharged tuition was deducted from the next semester's tuition. Some students paid a little more than 10 yuan less and some others paid more than 20 yuan less. Altogether, the township returned more than 180,000 yuan of overcharged tuition to peasants in this way.<sup>20</sup>

## **Second Round: Peasant Radicalism in Central Hunan (1996-1998)**

### *Overview*

From 1996 to 1998, peasants in Qianjiang Township, which was now consolidated with Qizong Township, carried out their second round of the protest. Three types of new fees and agricultural taxes and fees that increased drastically triggered the protest. It again started when several peasants were provided with policy documents. Xie Weimin became the most prominent leader again, after peasants kneeled down in front of him and begged him to lead the protest. His village, Baishiqiao, remained the protest center. The same five to six leaders emerged in the first round again formed the leadership core during this round. The village representatives who were first elected by peasants in 1993 were reactivated. The representatives then formed an informal township-wide organization, called "A Temporary Council on Lowering Peasant Burdens in Qizong Township." The organization had the same structure and the same leadership as the Parents Association formed in the first round. Though it identified itself as an organization located in

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<sup>20</sup> The county also removed some township cadres, including the township party secretary and the principal of the rural school district.

Qizong Township, the temporary council covered the same 18 villages of the original Qianjiang Township and excluded peasants from the original Qizong Township.

Fueled by the success of the first round, peasants in the second round became extraordinary militant. Each time the township arrested a peasant leader or his family member, peasants retaliated by kidnapping a local cadre. In this round, they kidnapped three local cadres, including a female vice mayor of the county, which was a high ranking position in the local government in China, a police officer, and a vice township mayor, who was kidnapped for up to 12 days. Peasant militancy could also be seen through their persistent attacks on local government compounds. Thousands of peasants surrounded the township government compound not once, but five times.<sup>21</sup> Further, tens of thousands of peasants even ransacked the county government and smashed its plate. This differed from the two northern cases, where the county government itself never became a target.

Peasant militancy in Qizong led to demands that were far more sweeping than those raised by peasants in Changtang and Cangyuan. First, they demanded that each village set up a “Box for Accusation Letters” so that peasants could disclose the corrupt deeds of village cadres. Second, they demanded that village representatives that the peasants themselves had elected have the right to join a “Leading Group on Clearing the Village Account.” Third, they demanded that the township return all overcharged taxes and fees collected between 1994 and 1996.

The breakdown of local authority in Qizong Township during this round was most severe in the three cases. While the relationship between peasants and the local government was confrontational in all three cases, it was only in Qizong that the township could no longer govern certain villages. These villages were no longer

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<sup>21</sup> Interview with a township cadre in Qizong Township, summer 2004.

governed by village or township cadres, but by peasant leaders and representatives. Qianshui Village, a remote village deep in the mountains was such an example. It was one of the three villages where representatives of the Parents Association marched to the township during the first round. Here, peasants established a village school of their own for one year, which did not occur elsewhere. It was also in this village that peasants kidnapped a vice township mayor for up to 12 days. Peasants in this village refused to obey national policies on family planning, house construction, or forest protection. They only listened to their own representatives or peasant leaders, rather than village or township cadres. Ironically, the township government had to turn to peasant leaders to govern the village when the leaders were organizing the protest.

The protest was suppressed in 1998. The government arrested more than ten peasant leaders and sentenced four of them to very long jail terms. Xie Weimin was sentenced to 13 years in prison and three other leaders were sentenced to 10 or 11 years in prison. In spite of severe state repression, peasant militancy and optimism remained in Qizong Township, unlike in Changtang and Cangyuan, where peasant leaders became demoralized. Peasant leaders in Qizong never regretted leading the protest. They were determined to protest again if necessary. They also maintained close ties among one another. Thus peasant leadership in Qizong, unlike in Changtang and Cangyuan, was not destroyed. This area remained potentially rebellious.

As a result of its militancy and optimism, the Qizong protest was the most successful among all three protest cases studied in this dissertation. Peasant burdens were lowered by as much as 60% in 1996 and remained low thereafter. For several years since 1996, tuition did not increase. The burden level in Qizong Township was the lowest in the entire county. While the burden level in the two northern cases bounced back after leaders were either arrested or died, the level did not increase in Qizong even after leaders were put in jail.

In spite of the unusual militancy and the success of protest in Qizong, it was limited to the original Qianjiang Township. It did not even diffuse to the original Qizong Township, as leaders in the original Qianjiang Township declined to coordinate their burden-reduction efforts with leaders in the original Qizong Township. The Qizong protest was indeed contagious, as it did contribute to militant and organized protest in neighboring towns.<sup>22</sup> However, peasants in Qizong and its neighboring townships failed to build coalitions or establish a unified leadership for their protest. The Qizong protest demonstrated yet again that peasant protests against heavy burdens in the 1990s were township-bound.

### *How It Started*

In 1996, peasants in Qizong Township rebelled again. Three new fees triggered this round of protest. First, tuition jumped again. Second, a highway was to be built that would link the county seat with the city of Xiangyang.<sup>23</sup> To finance this, each male peasant under 65 and each female peasant under 60 in the county, including babies, was to be levied 40 yuan each year and for three years in a row. Third, in 1994, Qianjiang Township and Qizong Township were consolidated into a new and larger Qizong Township.<sup>24</sup> Under the pressure to reach the two basic standards in education, the new Qizong Township decided to build a new middle school and to levy a new

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<sup>22</sup> A protest is diffused when it spreads from the protest center to a different area and when the protest in this new area shares the same leadership as the one in the protest center. A protest is contagious when it contributes to the emergence of protest events in other areas but does not provide leadership for them. The former has one unified leadership and thereby forms one protest event. The latter are separate and autonomous protest events.

<sup>23</sup> Xiangyang City governs Xiangyang Prefecture, one of the 14 prefectures of Hunan.

<sup>24</sup> In other parts of Hunan, this policy was implemented in 1995 rather than in 1994. See “Power of the Local Government and Two Central Policies Gone Awry” in chapter 2 for more details on the abolition of rural districts and the consolidation of townships in Hunan. Those townships that were consolidated lost their status and no longer had a township seat. Qianjiang Township was such a case.

school construction fee on each peasant.<sup>25</sup> Combined with the 10 yuan of the education surcharge (*jiaoyufei fujia*) assessed on each peasant, each peasant had to pay dozens of yuan for education alone that year.<sup>26</sup> To encourage village cadres to collect this education fund, the township invited every village party secretary and every village head to a ten-course meal. Each was given a pack of the Refined White Sand cigarette (*jing baisha yan*) and 10 yuan.<sup>27</sup> On top of these three fees, the agricultural taxes and fees also increased.<sup>28</sup> Finally, rumors went rampant among peasants that they also had to pay for a new national security fee because Hong Kong was to be returned to China and that there would be a war.<sup>29</sup>

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<sup>25</sup> See “Weakness of the Local Government and Unfunded Central Mandates” in chapter 2 and “Reaching the Two Basic Standards” in chapter 3 for details on the drive to reach the two standards in basic education and its impact on rural public finance in Hunan in the 1990s.

<sup>26</sup> The education surcharge was part of the regular five unified township fees.

<sup>27</sup> Though this story is a diversion from the topic of peasant protest against heavy burdens, I cannot resist writing it down here, for it reveals both the actual exercise of state power and the practice of banquet culture in rural Hunan. First, it shows how rural cadres built consensus among themselves and how township cadres delegated or relayed state tasks to village cadres. Most of the time, this was done through eating out together. Second, it depicts a surprisingly universal banquet culture in rural Hunan. In spite of the vast differences in dialects, topographies, and road conditions between the northern county and this central one, both used the “refined white sand” in banquets, which was the “right” type of cigarettes for village cadres in the 1990s. Cigarettes, just like cadres, were ranked. In the 1990s, village cadres were treated with the “Refined White Sand” cigarette in a banquet. County cadres had to smoke “the King of Lotus” (*fu rong wang*) brand. City cadres had to smoke the “Refined King of Lotus.” Everybody attending a banquet was given cigarettes to smoke, including those who did not smoke. In addition, each person got a small amount of money or some small gifts. Peasants had the same banquet culture as cadres, except that they only smoked the regular “White Sand” brand cigarettes, rather than the refined ones.

<sup>28</sup> When peasants referred to “agricultural taxes and fees,” they usually meant the agricultural tax, the procurement grain, the three village fees, the five unified township fees, and common production fees that were recorded on their burden cards. Tuition, the new school construction fee, and the new road construction fee were fees or funds that peasants needed to pay on top of those listed on the burden cards. See chapter 3 for details on the types and variations of taxes and fees in Hunan in the 1990s.

<sup>29</sup> For the role played by rumor and panic in widespread peasant uprisings, see Georges Lefebvre, *The Great Fear of 1789: Rural Panic in Revolutionary France* (New York: Schocken Books, 1973).

### ***Documents and Leadership***

The same peasant, a retired village party secretary who provided peasants with the document in 1993 again provided them with three documents in this round, including the No. 1 central document, the No. 9 provincial document, and the No. 28 document issued by the prefecture. All were published in the local newspaper. All were issued in 1996, and all forbade the local government to arbitrarily assess on peasants, arbitrarily collect fees from peasants or peasant students, or arbitrarily fine peasants (*luan tan pai*, *luan shou fei*, *luan fa kuan*). The peasant once again looked Xie Weimin up and asked him to lead the protest. Xie initially declined. However, he decided to stand up for peasants again after they kneeled down in front of him, begging him in tears to lead the protest. In Chinese history, subjects kneeled down in front of their rulers. Through this act, the subjects not only accepted the latter's legitimate right to rule, but also obliged him to take care of their well-being. Kneeling, therefore, was a powerful act. It was hard for a person to decline a request made by others in such a way. According to Xie Weimin's wife, "He did not want to be a leader [for the second time]. It was the masses (*qun zhong*) who wanted him to do this no matter what."<sup>30</sup> Peasants begged Xie because he and other leaders succeeded in organizing peasants and lowering tuition in 1993.

### ***Informal Township-wide Organization***

In late August, Xie and other leaders convened a meeting of village representatives (*cunmin daimiao huiyi*) in the primary school of the original Qianjiang Township and read out loud the three documents. These were the same village representatives who were first elected by peasants in 1993 during the first round of the

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<sup>30</sup> Interviews with Xie's wife, his brother and sister-in-law, several peasant leaders, and ordinary peasants in Baishiqiao Village, Qizong Township, summer 2004.

protest. The representatives became enraged. They decided not only to popularize the documents among peasants, but also to help the township cadres learn them.

On August 30, 1996, peasants established a “Temporary Council on Peasant Burden Reduction in Township Qizong.” The council had the same structure and leadership as the Parents Association established in 1993. Peasants elected Xie as the president of the council. Every village representative also became a council member (*li shi*). There were more than 80 council members altogether. Each of the 18 villages of the original Qianjiang Township had one or several members. The dozen or so core activists who first emerged on their own in 1993 again became active members of the council. The same 5 or 6 peasant leaders who emerged in 1993 formed the leadership core again. Though the original Qianjiang Township was now incorporated with the original Qizong Township, membership of the council was limited to peasants of the 18 villages of the original Qianjiang Township and excluded peasants from the original Qizong Township, who were also protesting against heavy burdens at the same time. Just like the Parents Association, the council was an informal organization. It had no office space, no name plate, nor any paid staff. According to Zhou Pucheng, the main purpose of the temporary council was to take care of the money that peasants donated to leaders, which was more than 10,000 yuan so that the leaders could petition higher authorities, hire lawyers, and make copies of the documents.

The local government accused the peasants of establishing a well-organized Peasants Association (*nongmin xiehui*), the purpose of which was to undermine or even overthrow the party-state. According to the local government, peasants called Xie “the Chairman” and his wife “the Chairman’s wife” (*zhuxi furen*). The association had a secretary and three echelons, each with its own leaders. The second and the third echelons were ready to replace the first one if ever their leaders were arrested.<sup>31</sup>

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<sup>31</sup> Interviews with cadres in Qizong Township, summer 2004.

In reality, peasants in Qizong Township did not have the resources, the time, or the intention to establish a formal organization with such an elaborate internal structure. Neither did they attempt to seek political rights through establishing an organization that was independent from the party-state. Peasants explained their modest goal and their modest organization:

Peasants survive on their own labor (*zi shi qi li*). They must work first and then they have rice to eat. If they stopped working for one day, they would starve for one day. We peasants cannot organize ourselves precisely because we do not have fixed salaries (*guding gongzi*)... We have never thought about establishing a long-lasting and independent peasant organization. We added the word “temporary” in front of “council.” Because it was temporary, ours was not any kind of organization.<sup>32</sup>... They [the township government] say that we want to overthrow the people’s government and establish our own organization. We have never admitted to this. We have not done anything like this. We only want the [local] government to implement the party’s policies and treat us peasants with correct policy methods.—Zhou Pucheng, summer 2004

Under the leadership of Xie Weimin and others, peasants in Qizong carried out a dramatic protest from 1996-1998. The protest featured mutual kidnappings between cadres and peasants (*guan zhuo min, min zhuo guan*), a propaganda war between the local government and peasant leaders to win over the “hearts and minds” of peasants, mass meetings, demonstrations, sit-ins, negotiations, and strikes.

### ***Conflicts over Documents***

Similar to the two northern cases, the mobilization of peasants in Qizong was easy and swift. It also centered around the dissemination of policy documents among peasants through different methods, such as word-of-mouth, relaying the documents among peasants, and copying documents on red pieces of paper and posting them in a

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<sup>32</sup> In Mandarin, *lin shi, jiu bu daibiao wo men shi shenme zuzhi*.

public space in the village. Naturally, documents became a point of contention between peasants and the local government.

At around 8:00am on September 1, 1996, the three documents, some with added editorials written by local peasant communist party members, were copied on red pieces of paper and posted in each village's public space. The documents were hardly posted for an hour when the township party secretary (a female) and several police officers drove to Baishiqiao Village, the protest center, and tore them apart. Peasants were enraged. "These are documents from the State Council! You do not learn them yourself and you dare to forbid us peasants to learn them!" Peasants quickly congregated. They cursed cadres, surrounded them, and trapped the township party secretary in her car. She and peasant women exchanged rude curses for hours in the stifling heat of that summer day in Hunan. When a police officer pulled his pistol from his holster, the peasants promptly encircled him. Damning him, the peasants tried to take away his weapon. Luckily for the officer, the Director of the township's Rural Credit Union happened to be driving to the county seat that morning. His office was located right in the village and he interacted with peasants there frequently. He sweet-talked (*jiang hao hua*) the peasants, who then allowed the officer to drive away in his car. Hours later, eight anti-riot policemen escorted the female township party secretary out of the village.

Peasants in the original Qianjiang Township also decided to "study" the three documents with township cadres. According to Zhou Pucheng, "We wanted to show the three documents to township cadres and study the documents together with them. We would like to see which policy items they had violated, which ones we had violated, and whether we (peasants) indeed need to shoulder all these burdens." At the end of August, hundreds of peasants rode in more than ten mini-buses and headed toward the township government to propagate party policies on lowering peasant

burdens.<sup>33</sup> The documents were recorded and broadcast through a loud speaker attached to one of the mini-buses. Banners such as “Wholeheartedly Support the No. 1 Document of the Central Committee of the Party and the State Council,” “Lowering Peasant Burdens,” and “Demand that the Government Lower Peasant Burdens and Implement the Party’s Policies” were stuck to the front and the two sides of the buses. A vice mayor of the county received the peasants. Just as in 1993, the mayor asked the peasants to select some representatives to discuss the issue with him. Using a loud speaker, he promised the hundreds of peasants gathering in the compound that the county government would implement central and provincial policies without any compromise (*bu zhe bu kou*), nor would it arbitrarily collect fees from the peasants. The peasants disbanded after hearing this promise.

### ***First Round of Mutual Kidnappings***

For all these promises, this time the county government was determined to nip peasant protest in the bud. It decided that the “Peasant Association” (*nongmin xiehui*) was a black society (meaning Mafia) organization.<sup>34</sup> At the end of August, the county government organized a large public meeting attended by all party members and all team heads in the entire township. It charged peasants with numerous criminal behaviors, such as disturbing public order. The government also decided to arrest peasant leaders.

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<sup>33</sup> The peasants I interviewed could no longer remember the exact date. They also disagreed among one another about the exact number of demonstrations that happened before they kidnapped a vice mayor. But they all agreed on all the major protest events, such as that the kidnapping happened after the wives of three peasant leaders were arrested.

<sup>34</sup> Note that peasants never called their organization a Peasant Association. It was the local government that gave it this name. Peasants called their organization a “Temporary Council on Lowering Peasant Burdens.” Peasants indeed established a Parent Association in 1993, but that was a much less politically charged name than a Peasant Association.

On the night of September 1, 21 vehicles of the justice system and more than 100 officers surrounded Baishiqiao Village. Somehow, the leaders were tipped off and did not stay at home that night. The policemen broke into the peasants' homes, dragging the wives of three peasant leaders from bed without even allowing them to put on their clothes. The wives were incarcerated in the county's Public Security Bureau. Pointing a pistol at her head, a policeman tried in vain to force Xie's wife to reveal her husband's whereabouts. The women were neither given food nor allowed to go to the bathroom.

The next day, more than 1,000 angry peasants paraded to the township to force the government to release the wives. On that day, all coal mines and cement factories in the township were shut down.<sup>35</sup> Peasants living close to the township joined the marching peasants. A crowd of more than 10,000 peasants besieged the township compound. The county sent a few cadres to face the peasants, who again asked peasants to select a few representatives to have discussions with them. Most township cadres left the building and congregated in another building.

While peasant representatives were holding discussions with a few cadres on the second floor, a female cadre hid herself underneath a table on the first floor and made phone calls to the county government. Soon after the phone call, more than 20 big police cars arrived in the township. Seeing that their representatives were trapped, the peasants were enraged at the female cadre, whom they mistook for the township party secretary. Some shouted, "Get hold of her! Get hold of her!" (*zhua qi lai, zhua qi lai*). Indeed peasants, without consulting with their leaders upstairs, somehow snapped her away from the township compound, put her in a motorcycle, and hid her with a

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<sup>35</sup> I think these are rural mines and factories operating in villages, rather than urban ones in the county seat. This township has many small coal mines where many peasants work. Thus, this protest event was not a case of coalition-building between peasants and workers. It was still a peasant protest.

peasant's family. It turned out that the kidnapped female cadre was none other than a vice mayor of the county, a high ranking position in the Chinese local government. Kidnapping was thus improvised on the spot in this protest and born out of the angry shouting of the peasant crowd, but once created, kidnapping was quickly learned by other peasants and deliberately used twice more in this protest.

As soon as the county government found out that the peasants kidnapped the vice mayor, it gave food to the three wives still under custody. It released them in the late afternoon that day. That night it dispatched every civil servant of the entire county to search for the mayor. It also asked cadres who used to work in the original Qianjiang Township to return there to convince the peasants to release the mayor, ensuring them that the government would release the wives too. Peasants released the vice mayor the second night, after the government first released the wives. Altogether, she was held against her will for more than a day. Peasants, however, treated the female cadre cordially and did not think that they kidnapped her. According to them, "We put her in a peasant's family and we treated her well. We killed hens for her and treated her like a guest."

After the kidnapping incident, the prefecture government took three major steps to reassert its legitimacy in the countryside. First, it sent all cadres who once worked in the original Qianjiang Township to do the peasants' thought work (*zuo gongzuo*). Second, it sent a "Reconstruction and Poverty Relief Work Team" (*jianzheng fuping gongzuo zu*) to every village of Qizong Township. The work team brought money and projects to the villages and tried to improve the relationship between peasants and the local government. It also spied on peasants and provided the information which enabled the local government to arrest the leaders in 1998. Third, it held several rounds of official meetings and negotiations with peasant representatives and listened to their grievances and criticism. The government's side included a vice

party secretary of the prefecture and cadres from the Women's Affairs Association, the People's Congress, the Agricultural Commission, and the Department and Law and Politics (*zhengfa*). On the peasants' side, the five to six leaders represented the council and participated in the negotiations.

Peasant representatives raised dozens of questions concerning heavy burdens, tuition, rural irrigation projects, rural electricity price, family planning, and village finance (*cunji caiwu*).<sup>36</sup> The cadres promised that the township would stick to the tuition level stipulated in central and provincial documents and that the peasants would not be overcharged by a penny. They also promised that the township government would no longer arrest the parents of peasants or the siblings of male peasants who violated the family planning policy.<sup>37</sup>

During these rounds of negotiations, the county government made some compromises with the peasants. It admitted that peasant burdens exceeded the 5% limit. It returned the 40 yuan of the highway fee to peasants, decided not to collect the new school construction fee, and lowered tuition and the agricultural taxes and fees. Peasant burdens in Qizong were lowered by as much as 60% in 1996. The county government also cleared (*qing li*) the account of the township's Rural Credit Union.<sup>38</sup>

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<sup>36</sup> Family planning was a highly contentious issue in rural Hunan in the early 1990s, as the local government fined peasants heavily and used other methods to force them to comply with the national policy. Since the mid-1990s, however, family planning is no longer a contentious issue in many parts of rural Hunan because peasants have willingly followed the policy. Still, in some mountainous areas, such as Qizong, family planning continues to create conflict between peasants and the local government, as quite a few peasants are still having three children, rather than two.

<sup>37</sup> In other words, the siblings of a woman who violated the family planning policy were usually not arrested. Only the siblings of the man were. In spite of the Chinese communist revolution, socialism, and three decades of economic reform, the Chinese countryside remains deeply patriarchal.

<sup>38</sup> The credit union made the following deal with the school district. If the school district deposited 300,000 yuan in the credit union each month, the district could get a Beijing jeep for free. The prefectural government made the school district return the jeep to the credit union, which later sold it to the Agricultural Electricity Station (*nong dian zhan*) of the township.

In spite of these compromises, peasant burdens remained heavy. Peasants still needed to pay more than ten types of taxes and fees that were recorded on their burden cards, which should have been either abolished or lowered according to the policy documents. Peasants pushed for further burden-reduction. In the words of Xie's brother, "We demanded that the local government clearly explain itself to us (*jiaodai qingchu*) and that it lower all those taxes and fees that should be lowered."

In addition, peasants made three radical demands about village public finance and taxes and fees. First, they demanded that each village set up a "Box for Accusation Letters" (*jianju xiang*) so that peasants could disclose the corrupt deeds of village cadres. Second, they demanded that the local government establish a "Leading Group in Clearing Village Accounts" (*qingli cunji caiwu lingdao xiaozu*) and that village representatives be allowed to join the group. Third, they demanded that the local government return all overcharged taxes and fees collected in three years (1994-1996). Without substantial money transfers from higher levels of the government, the local government obviously could not agree to this last demand. Were this demand satisfied, the local government would have been fiscally paralyzed and made to close its doors. The local government at first agreed to the first two demands but then retracted its decision. The prefecture did establish a leading group that audited village and township accounts. However, no peasant representative was allowed to join the group, the result was not publicized, and no corrupt officials were ever punished.

### ***Conflict Escalated and Leaders Arrested***

Peasants were not satisfied with this kind of account clearing. Their representatives continued to push for the three demands and for further burden reduction. They repeatedly petitioned the township, the county, and the prefecture governments. Having achieved no results after a few months of discussions and

petitions, the representatives decided to escalate the conflict and force the local government to negotiate with them. They decided to organize a mass demonstration (*qing yuan*) in front of the county government compound. This sent a clear signal to the local government that it was time to suppress the protest, rather than accommodate it, since the peasants had now elevated their target from the township government to the county government. On November 11<sup>th</sup>, a few days after the peasant representatives turned in a mass demonstration application form to the Public Security Bureau, the local government promptly arrested 11 peasant leaders and imprisoned them in different counties.

Two days after the leaders were arrested, on November 13, peasants in the original Qianjiang Township responded with a massive demonstration in front of the county government compound. Village representatives led the demonstration, mobilizing peasants in each village and making banners such as “Support Party Policies” and “Resolutely Demand [that the government] Unconditionally Release Xie Weimin and Other Peasant Representatives.” To maintain order during the demonstration, Xie Yongkang, a peasant leader who was not arrested, organized a meeting of peasant representatives and told them to make sure that peasants would not scuffle (*da jia*), smash objects (*da dongxi*), rob people (*qiang dongxi*), make trouble (*nao shi*), or break the law.<sup>39</sup>

In spite of the efforts of the village representatives, the demonstration turned chaotic and violent. On November 13<sup>th</sup>, several thousand peasants from the original Qianjiang Township marched to the county government compound to petition (*qing yuan*), sit in (*jing zuo*) and demand the immediate release of their leaders. By the time the demonstration reached the gate of the county government compound, it had

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<sup>39</sup> This paragraph is based on the first group interview, rather than the second one.

swelled into a crowd of several tens of thousands of people. The county government locked its gate and ordered firefighters to spray water at peasants who sat outside the compound. It was a cold winter day and the peasants' coats were soaked in water. Peasants then started throwing bricks into the compound. They smashed the government's plate,<sup>40</sup> forced open the gate, broke the plate of the Office of Letters and Visits,<sup>41</sup> and smashed up all of the fire ambulances and many other vehicles in the compound. All the firefighters except a young one abandoned their posts. The young firefighter kept spraying water at the peasants. Peasants beat him so severely that it was highly possible that he became paralyzed. A few demonstrators somehow broke into the county party secretary's home, made a mess of the apartment, and stole money and wine.<sup>42</sup>

After the peasants ransacked the county government, the provincial government sent down a detachment of several hundred policemen with machine guns, armored vehicles, and police dogs. The detachment and the peasants did not clash directly. By the time the troops reached the county, the peasants had already gone home. The troops stayed in the county for more than 40 days. They patrolled the streets of the county with machine guns and guarded the Qizong Township compound. However, they never ventured into the protest center. To this day, Xie Weimin's

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<sup>40</sup> In Chinese, smashing somebody's plate (*za pai*) means to destroy somebody's authority or credit. Thus smashing the government's plate (*za zhengfu de paizi*) is a symbolic act. It means that the government has lost its legitimacy, which was why smashing a government's plate was almost universally featured in all peasant mob actions against the local government in the 1990s. That was also why the act always invited state repression.

<sup>41</sup> A township cadre insisted that peasants smashed the plate of the Office of Letters and Visits. Peasants, on the other hand, said that they did not, for they did not know where the office was located.

<sup>42</sup> A township cadre insisted that those who broke into the party secretary's home were peasants. Peasants, on the other hand, insisted that it was not peasants, but hooligans (*liu zi*) who tried to benefit from the chaos. According to Zhou Pucheng, a peasant leader, "It was not our fault. We could not have anticipated this. Neither did we have the ability to prevent this from happening." Interviews in Baishiqiao Village, summer 2004.

village remains an area where almost no government representative can be seen, except for the village cadres, who have no real power and very often obey the village representatives. This village remains the peasants' own territory.

### ***The Battle over Hearts and Minds***

The local government was caught by surprise by the outbreak of peasant protest for the second time. The unusual militancy of the protest made the local government worried that it was losing too much ground to peasant leaders. To regain stability, the local government engaged in a propaganda war with peasant leaders to win over the peasants' hearts and minds. On August 30, 1996, peasant leaders wrote a public letter addressed to parents of students in Qizong Township (*gao guangda xuesheng jiazhangshu*). The letter instructed peasants that they should use weapons of the law to protect themselves and that they should only hand in as much tuition as stipulated in the three documents. Copies of the letter were sent to peasant representatives in each village.

In the beginning of September, the county government wrote a circular. In late October, it wrote "A Letter to All People in Township Qizong" (*gao Qizongxiang guangda renmin shu*). The two government pamphlets were posted everywhere and were sent to each village team. In addition, five propaganda vehicles distributed the pamphlets in the villages. The pamphlets informed peasants that they should wipe clear their eyes (*ca liang yanjing*) and that they should not be duped by a handful of people from the black society (meaning Mafia). It promised that the people's government would absolutely not be soft-hearted or weak-handed (*jue bu xinci shouruan*) and would resolutely suppress the peasants.

Fearing that cadres in Beijing who originally came from the county would support the peasants rather than the local government, the party secretary of the county

even held a news conference in Beijing among the cadres of the county's origin. To his dismay, Beijing cadres criticized the party secretary for his tough handling of peasants who were merely fighting to lower their burdens.<sup>43</sup> That the local government had to hold a news conference in Beijing showed that the Qizong protest was much more influential and disruptive than the two northern cases. It also demonstrated the vulnerability of local government in an age of profound fiscal crisis and decline of government legitimacy. Any support for protesting peasants from Beijing, perceived or real, could easily destabilize a local area.

### ***Protest Events in 1997***

All 11 peasant leaders arrested on November 11, 1996 were acquitted of their crimes and were released on January 1, 1997. According to the local government, the government decided to be lenient toward peasant leaders, convinced that it would help rein in riotous peasants. According to a peasant leader, however, they were released because the new penal code (*xing fa*) was effective on that day, which forbade arbitrary imprisonment without enough evidence.

If Xie Weimin and other leaders were indeed released to placate peasants, it turned out that the government made the wrong calculation. In 1997, the protest became even more radical. Peasants kidnapped two more cadres. Local authority broke down completely in Qianshui Village, a remote mountainous village of the original Qianjiang Township that was 10 kilometers away from the protest center. The protest became contagious, as peasants in Zouma, a town that neighbored Qizong Township, started a protest that turned out to be even more disruptive than the one in Qizong. Rural instability was spreading.

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<sup>43</sup> From the interviews, it was not clear if peasants received any support from Beijing at all.

***Second mutual kidnapping incident.*** In 1997, Chu Hansheng, a peasant representative who was also a team head, participated in the official account clearing (*qing zhang*) of his village.<sup>44</sup> The account-clearing revealed that three village cadres had embezzled several hundred thousand yuan.<sup>45</sup> After the harvest of the early crop, which was one of the two most intensive periods for grain collection, Chu, beating a gong and walking around in the village, told peasants that they did not have to turn in any taxes or fees for three years.<sup>46</sup> Instead, corrupt village cadres who embezzled the money should turn in taxes and fees for peasants for three years. Township cadres threatened to confiscate Chu's property and make him bankrupt if he continued to talk like that or if he did not turn in his taxes and fees. Chu insisted that the money embezzled by village cadres be deducted from peasant taxes and fee liabilities toward the local government. The local government arrested Chu on October 1, 1997. The ostensible reason for the arrest was that Chu quarreled and scuffled with neighbors over a burial ground. Chu's wife and brother came to Xie Weimin and his family, cried in front of him, and pleaded that he and other village representatives rescue Chu. The peasant leaders decided to storm the township government to get Chu back (*yao ren*).

The next day, dozens of peasants, mostly Chu's relatives, fellow villagers, and peasant representatives, including Xie Weimin and others, went to the police station (*paichu suo*) of the township to rescue Chu.<sup>47</sup> Tipped-off, all officers except one who

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<sup>44</sup> It was not clear from my transcripts why it was only this peasant leader who participated in the official village account clearing. Most peasant leaders were team heads who should have been able to participate in account clearing in their villages in that capacity. One possible explanation was that Chu was the only serving team head when peasants in the original Qianjiang Township were protesting for the second time.

<sup>45</sup> The embezzled amount was unusually large for a village, but this village had a coal mine.

<sup>46</sup> See "1998 Policies and Their Impact" in chapter 4 for details on grain collection in Hunan.

<sup>47</sup> Some said that it was a few hundred peasants. Interviews with a group of peasants in Baishiqiao Village, summer 2004.

was newly hired had quickly left the office. Not finding Chu there, peasants brought the unfortunate officer to Chu's village.<sup>48</sup> Again peasants did not call their action kidnapping. Rather, they said, "We did not lock him up or do anything harmful to him. We chatted and exchanged thoughts with him."

The local government sent cadres to villages to persuade peasants to release the police officer, ensuring them that the government would handle Chu's case justly and fairly. Thinking that Chu would be released promptly, peasants released the officer after putting him in a peasant's house for about 12 hours. Chu, however, was not released. Instead, he was sentenced in 1997 to four and a half years in prison.

***Government authority broke down.*** The breakdown of government authority in Qizong was far more severe than in either Changtang or Cangyuan. In Changtang and Cangyuan, no serving village cadres, not even in the protest center, supported peasant leaders. In Qizong, however, many village party secretaries supported peasants, rather than the township government. In quite a few villages, village cadres and peasant leaders enjoyed good relationships, whereas in other places the relationship was confrontational.<sup>49</sup> The peasants' strongest support came from retired cadres and retired communist party members in the township, including the retired village party secretary, retired workers and retired cadres who worked for the township, the county, and the prefecture who now lived in the villages with peasants after their retirement.<sup>50</sup>

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<sup>48</sup> Peasants denied that they kidnapped the public security officer. One peasant explained the peasants' action in this way: "*Yi meiyou bang, er meiyou jia. Qian shi qian le lai le.*"

<sup>49</sup> The relationship between peasants and village cadres may have improved significantly as a result of the rural tax-for-fee reform (2002-2006) and the policy of "constructing a new socialist countryside," which is an ongoing project that was first implemented in 2005.

<sup>50</sup> The retired town cadre in Cangyuan Town of Yuanxiang County was such a figure. However, he did not support the peasant leaders. Rather, he became an intermediary between the families of the peasant leaders and the local government, siding more with the local government than with the peasants.

Nowhere was the breakdown of local authority more clear than in Baishiqiao Village, the protest center, and Qianshui Village, a faraway village in the mountains that lay about 20 *li* away from the protest center. Qianshui Village was the remotest and poorest village of the township. Here peasants kidnapped a vice township director for as long as 12 days, established their own school, and resisted any government attempt to govern them. They became their own masters and obeyed only peasant leaders and their representatives.

***Third mutual kidnapping incident.*** In Qianshui Village, peasants clashed with cadres over grain collection.<sup>51</sup> In 1997 the county government sent more than a dozen truckloads of cadres to collect grain from a peasant named Tian Zhiyong. Township cadres dragged Tian's wife into a vehicle. An old woman in her 70s tried to block the vehicle, but she was beaten to the ground and pulled along. Tian shouted, "These people are not communist cadres. They are bandits." Fellow villagers, who happened to be attending a wedding banquet, started to pursue the cadres and punctured the tires of their vehicles. All cadres except one fled. This cadre was a vice director of Qizong Township, whom peasants hated the most, since he had ruthlessly punished peasants and severely fined them for violating family planning policies. Peasants detained the hated director for 12 days.<sup>52</sup> They only released him after the county government

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<sup>51</sup> This paragraph combines materials that I gathered during two field trips to this township in summer 2004.

<sup>52</sup> Altogether, the peasants in the township kidnapped three cadres, all of which happened after the local government arrested peasants. Asked why they kidnapped cadres, peasant leaders said that because the local government had stopped serving the interests of people, the peasants no longer treated it as a government. "If they can arrest people, how come we cannot? If the people's government is not reasonable (*bu jiangli*), we peasants are even more unreasonable." It must be emphasized that peasants treated the three kidnapped cadres as courteously as they thought a cadre should be treated. In the case of the vice township director who was detained the longest, he demanded for each meal a quarter of a kilo of wine, a quarter of a kilo of meat, a quarter of a kilo of rice, and two packages of cigarettes. Even though peasants hated him enough to kidnap him, they still satisfied his wishes in the beginning. He was, after all, a township cadre. As time went on, the peasants got fed up with his demands and he had to eat the same meals as the peasants.

released Tian's wife first. A friend of a relative of Tian who worked for the prefecture paid all the family's taxes and fees.

*Village schools.* In Qianshui Village, peasants had established their own village school for a year in 1997. Though government policies did allow private schools to be built, among all the villages and townships in the seven prefectures covered by this dissertation, this was the only case where peasants built a school of their own in the spirit of rebellion. In the words of peasants, "We peasants ourselves open our own school. We do not need the government to do it."<sup>53</sup>

The school charged about 120 yuan per student each semester, somewhat less than public schools. Peasants hired several teachers and paid them between 400 and 500 yuan a month, which was significantly lower than the salary of a teacher in a public school.<sup>54</sup> Peasants required that teachers teach six days a week and live in the school. They also required that the teachers prepare for lectures and grade student homework themselves, rather than assign students to do the work. In a complete reversal of the usual power relationship between peasants and teachers in which the former deferred to the latter, peasants in the village evaluated teacher performances and inspected their work to make sure that the teachers did prepare for lectures and did grade their students' homework. The school not only paid the teachers' salaries in full, but also made a profit.<sup>55</sup> With the profit, the school bought each student a New China Dictionary (*xinhua zidian*) and handed out some copied materials. It also lowered or exempted tuition and fees for students from poor families.

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<sup>53</sup> In Pinyin, "Wo men nongmin ziji ban. Buyao tamen ban."

<sup>54</sup> The teachers that the peasants hired were either retired or had just graduated from college, which was why they were willing to work for less pay.

<sup>55</sup> In the 1990s, many townships in Hunan could not pay salaries to its teachers on time. See the sections on education in chapter 3 for details, particularly "Two Fiscal Models for Funding Rural Basic Education."

The peasants of Qianshui Village themselves came up with the idea to open such a school. However, peasant leaders supported the idea and attended the school's opening ceremony. The school existed for one academic year. The radicalism of setting up their own school lay in the fact that it was run and financed completely by peasants themselves and that the state was not allowed to play any role in it. By challenging the state's public education system, it directly challenged the authority of the local state. By setting an example of good public finance and good management, it showed peasants' deep resentment toward ruthless extraction by the local government, high tuition, and the poor quality of some teachers in rural public schools. Basically, it demonstrated that peasants were better at managing public affairs and governing themselves than the local government. The peasants were sending a strong message: there was no need for the local government.

In Qianshui Village, education was not the only area in which the local government ceded its authority completely to peasants. In 1996 and 1997, with the tide of the protest high, this village, more than any other in the township, with the possible exception of the protest center, became completely ungovernable. In the words of peasants, "In 1996 and 1997, the local government dared not to govern Qianshui Village at all. Whenever cadres tried to govern them (*guan*), peasants objected to it and did not allow them to do that." Seeing that the state was so weakened and dared not to take charge of their business, some peasants started to engage in rational self-seeking behavior, such as felling trees in forests without permission (*senlin luankan luanfa*) and building houses without permission and without paying the house construction fee.

The township government, frustrated, turned to an unlikely source for help: the peasant leaders. The forest director of the township asked the leaders to stop peasants from cutting down trees. The leaders then talked to the representatives in Qianshui

Village, explained state policies to them, and asked them to persuade peasants in their village, so the felling stopped.<sup>56</sup> According to peasant leaders, there were numerous other cases when local government asked for their help to govern peasants, even when they were carrying out the protest. The relationship between the local government and peasant leaders during the height of the protest was therefore bizarre, for it was a combination of repression, accommodation, compromise, and cooperation.

### ***Protest Diffusion***

The Qizong protest demonstrates yet again that peasant protest in the 1990s, though contagious, was township-bound. Peasant protests in different regions influenced one another through mutual learning, particularly through borrowing policy documents. This contagious effect was most likely to take place among neighboring townships, but it could happen among townships that were hundreds of miles away. Protesting peasants, however, failed to build coalitions with fellow peasants, even with those who were protesting in neighboring townships. Thus, although different protest events could occur at the same time in different townships and counties, they lacked unified leadership.

***The contagion effect.*** The Qizong protest was contagious. It affected and was affected by peasant protest events elsewhere in Hunan, both far and near. Just as in the case of Changtang, the mechanism of contagion was through peasants in different areas borrowing policy documents from one another. In both rounds of the protest in Qizong, the origin of the policy documents was local. They came from local newspapers. However, as the protest deepened in the second round, the source of the documents expanded beyond the limit of the county. Some came from as far as the Zhi

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<sup>56</sup> This was the story told by peasant leaders. The township gave an opposite account of the story. According to them, peasant leaders assumed the power to govern, discredited the local government, and encouraged other peasants to disregard laws and to fell trees at will.

Prefecture, the southernmost prefecture in Hunan that borders Guangdong province, which is hundreds of miles away from Qizong Township. The Zhi prefecture was also engulfed in a militant peasant protest at about the same time that peasants in Qizong were protesting under the leadership of Xie Weimin and others against heavy burdens.<sup>57</sup> One peasant activist from there, hearing about Xie Weimin's name, came all the way from southern Hunan to Xie's village in central Hunan and brought the peasants two more documents.<sup>58</sup> These were the No. 33 central document issued by the Commission of Education at the end of 1996 and a central document issued in 1997 on tuition standards for primary and middle schools.<sup>59</sup>

The Qizong protest also encouraged peasant protest in Zouma, a town that borders Qizong Township.<sup>60</sup> The town lies about 10 km away from Baishiqiao Village. This was done, not through Xie Weimin establishing a new Peasants Association in Zouma Town, which the local government claimed was the case. Rather, it was done through peasant leaders in Qizong lending policy documents to

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<sup>57</sup> The leaders in the Zhi Prefecture protest, unlike the middle-aged peasant leaders in the Qizong protest, were all in their 70s. The government there also had to use troops to subdue the peasants. Interviews with ordinary peasants, peasant protest leaders, and their relatives in Baishiqiao Village, summer 2004.

<sup>58</sup> In today's Hunan, all county seats and cities are linked with one another through highways and good-quality roads. From the provincial capital of Changsha, one can reach all other cities and most county seats within a few hours. In spite of this, it is still a major endeavor to move from one village in southern Hunan to another in central Hunan. For example, it took this author almost two days to move from the seat of Dong County in the southern Shi Prefecture, which is right next door to the Zhi Prefecture, to Xie's village in central Hunan. It takes a few hours more to get from one village rather than a county seat in the south to Xie's village.

<sup>59</sup> Since the late 1980s and early 1990s, all levels of the government, including the central, the provincial, the prefectural, and the county government, have issued numerous documents on lowering peasant burdens. I specify the exact number of the documents, the time they were issued, and the government level that issued them because peasants emphasized these during the interviews. They had a clear idea of exactly what documents they were talking about.

<sup>60</sup> Zouma Town belonged to the same county as Qizong Township.

peasants in Zouma. Zhou Pucheng explained the relationship between the Qizong protest and the Zouma protest:

We do not know exactly what happened in Zouma. (Peasants) in Zouma saw that we did a good job lowering peasant burdens here. Thus several people came over. They asked us where we got these policy documents and copied these documents from us. [For them] the documents were just like evidence (*zheng ju*), based on which they would reason with the town government.

*Why was the protest township-bound?* The Qizong protest, though contagious, was also township-bound. Though it provided the policy documents for protesting peasants in the neighboring town of Zouma, it failed to make coalitions, establish a unified leadership, or coordinate their burden-reduction efforts with them. Neither did the peasants in Qizong show any interest in the events in Zouma. According to Zhou Pucheng,

We did not interact much with them [the peasants in Zouma]. Neither did we tell them how to organize or how to carry out the protest. What indeed happened there and how they carried out their protest, we had no clue... We have never been to Zouma and I do not know what kind of protest they carried out. But later one leader in Zouma was imprisoned in the same labor camp as I was. He was in the second team and I was in the first team. But I never chatted with him about what they did in Zouma.

Furthermore, the Qizong protest was limited to the original Qianjiang Township. It did not even spread to the original Qizong Township, even though during the second round of the protest, the two townships were already consolidated into one. During this round of the protest (1996-1998), peasant leaders in the original Qianjiang Township intentionally decided not to make coalitions with peasants in the original Qizong Township, even though the latter would very much like to do so.

Peasants in Qizong [meaning the original Qizong Township] wanted to join us and protest together (*yiqi gan*). Some of their people (meaning leaders) came over. We decided not to make coalitions with them. We decided not to

organize our protest together. You carry out yours [meaning protest] (*nimen gao nimen de*) and we carry out our own (*wo men gao wo men de*). We do not want to be united with them. We do not want to make our protest a large-scale one (*bugao shenme guimo*).<sup>61</sup>

As a result, peasants in the original Qizong Township had to carry out their protest on their own. The protest turned out to be far more lukewarm than the one in the original Qianjiang Township.

Why did the Qizong protest easily spread to Qianshui Village, a remote mountainous village 20 *li* away from the protest center but fail to spread to Zouma Town, which was also 20 *li* away from the protest center? The answer again lies in the loose and informal protest organization. Although the Qizong protest was the best organized of the three, it had the same loose mobilizing structure as Changtang and Cangyuan, which consisted of leadership and dense rural networks. It was also held together by the efforts of leaders, whose ability to coordinate the protest was significantly hampered by the fact that they lacked a formal organization with professional staff members.

In Qizong, between peasant leaders and their large crowd of followers were village representatives from each and every village, who were members of the temporary council. These representatives provided a fixed channel for the leaders to reach and mobilize the peasants in Qizong. They drastically increased the ability of leaders in Qizong to coordinate the protest. In Changtang and Cangyuan, leaders faced and mobilized peasants directly. There was no fixed linkage point between leaders and peasants in each village.

In spite of this organizational difference, the three cases shared the same loose mobilizing structure, consisting of leadership and dense rural networks. In all three cases, leaders or representatives coordinated their burden-reduction efforts through

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<sup>61</sup> Interview with Zhou Pucheng, a peasant protest leader in Qizong Township, summer 2004.

informal meetings which only met occasionally. On the one hand, as mentioned in chapter 5, informal meetings among peasant leaders served an important function in the protest. Through these meetings, decisions were made, tactics were decided, information was disseminated, and the protest was held together. On the other hand, peasants, lacking the time, money, and resources, could not become professional rebels. Thus, the degree of coordination that the leaders or representatives could provide for the protest through such informal meetings was limited.

As demonstrated by the following comments, informal meetings among leaders or representatives provided the coordination for the protest in Qizong:

Around ten peasants became leaders, most of whom came from the original Qianjiang Township. They organized [peasants] and lowered their burdens (*zuzhi jianfu*). They held lots of meetings, but they did not form any organization (*meiyou shenme zuzhi*)... Before the demonstration on Nov. 13<sup>th</sup>, Xie Yongkang (a peasant leader) organized a meeting, which was attended by dozens of village representatives.—Old Liang, a peasant activist in Qizong Township, summer 2004

We gathered together spontaneously (*zi fa xing de*). [In these kinds of meetings], some [representatives] would express opinions as to what kind of [protest] activities to carry out. The opinion would be adopted if the majority [of the representatives attending the meetings] agreed... It was not always the case that the same leaders [more than ten of them] attended all these meetings. Sometimes some village representatives gathered together, just like what are doing today [meaning the day of the interview]. We then made decisions regarding how to [carry out the protest].—Zhou Pucheng, a peasant leader in the Qizong protest, summer 2004

This limited amount of coordination that leaders achieved through holding informal meetings did not prevent them from mobilizing peasants in an area of a township. Relying on dense rural networks, a small number of leaders easily mobilized a large crowd of peasants by spreading policy documents among them. As explained in chapter 5, the peasants responded enthusiastically to their leaders because they shared the common interest in having their burdens lowered, because the leaders

provided a shield of protection against state repression, because the emergence of leaders made it rational for peasants to protest, and because peasants were deeply convinced that the party-state supported their protest activities.

While this loose mobilizing structure could sustain a small-scale protest that targeted the township government, which collected heavy taxes and fees from peasants in the 1990s and beyond, it could not provide the level of coordination that was needed in order for a peasant protest to spread to another township/town.<sup>62</sup> To build coalitions across different townships, an organizational solution was needed. Peasants had to either build formal organizations or rely on existing ones. This formal organization would provide not only “professional rebels,” meaning leaders who would specialize in coordinating protest efforts in a large area, but also fixed channels for leaders to mobilize peasant followers. However, as mentioned in chapter 5, the peasants could neither build such an organization of their own nor rely on existing organizations.

To summarize, as a result of the loose mobilizing structure which depended heavily on informal meetings among leaders and dense rural networks, peasant protest in the 1990s, no matter how mild or disruptive it was, stopped at the boundary of a township. Peasants failed to build coalitions that cut across different townships/towns. Thus, the Changtang protest easily spread from the protest center to Xiaoxiang, which was more than 40 *li* away, but could not spread to Qianzhu Village, which neighbored the protest center. This was because Xiaoxiang, though geographically far away, belonged to Changtang Town, whereas Qianzhu Village, though next door, belonged to another county. The same pattern was repeated in Qizong. The protest spread to Qianshui Village, a remote mountainous village in the same township but did not

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<sup>62</sup> See “Mobilizing structure and Protest Diffusion” and “Diffusion Model: From the Protest Center to the Entire Town” in chapter 5 for details.

spread to the neighboring Zouma Town, though Qianshui Village and Zouma Town were about equal distance (20 *li*) from the protest center.

But why did the protest in Changtang spread to all the three small townships that were consolidated into Changtang Town, whereas the Qizong protest was limited to the original Qianjiang Township and excluded peasants from the original Qizong Township? What explained the fact that a more disruptive, more militant, and more successful peasant protest diffused to a smaller region than a milder and less successful one? Again, this happened because the two protest events had different organizations, which were in turn a result of the different timing of the two protest events. The Changtang protest broke out in 1996, one year after the three small townships of Changtang, Miaoyufeng, and Xiaoxiang were already consolidated into the town of Changtang. Because they were now from the same town, it was natural that the leaders in the three small townships coordinated their efforts and mounted a protest that covered all three small townships. The Qizong protest, however, first broke out in 1993, a year before the original Qianjiang Township and the original Qizong Township were consolidated into the larger Qizong Township. As a result, during the first round, peasants could only build an informal organization that covered the entire original Qianjiang Township. The organization successfully negotiated with the local government over tuition. When the protest broke out for the second time in 1996, peasants simply reactivated the same organization. Thus, peasants from the original Qizong Township were excluded from the protest. The organization established in the first round actually limited the scope of the second round of the Qizong protest.

### *The End of the Protest in 1998*

When the local government finally got permission to suppress the protest in 1998, the government could not have been more relieved. It had long reached the conclusion that Xie and other peasant leaders had established a Peasants Association, which encouraged peasants to rebel and claimed the right to govern peasants. Further, the Peasants Association was a political and independent organization that sought to overthrow the local government. As Xie established Peasants Associations in other towns/townships, a large area was destabilized. According to a local cadre,

[Xie Weimin and other peasant leaders] established an organization, attacked cadres, and assembled illegally. [They] also went to other towns/townships to develop Peasants Associations (*nongmin xiehui*). They instigated peasants in Zouma town, who then tied up the town's party secretary, stripped his clothes off except his underwear, and paraded him through the streets. In those years peasants went mad (*fa le feng*).<sup>63</sup>

From the perspective of the local government, the only way to stabilize the region and restore legitimacy to the township government was to imprison Xie and other leaders and disband their organization. In November 1998, more than ten peasant leaders were arrested. Most were not arrested in their villages. Rather, township cadres lied to them that Chu Hansheng, the peasant representative who was imprisoned in 1997 was released and that they should come to the police station to welcome him back home. Xie Weimin was arrested in the county seat, after the cadres pursued him for more than 100 kilometers. Even the bus driver was arrested and the peasant accompanying Xie Weimin was accused of being his bodyguard and put in prison for more than 20 days.

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<sup>63</sup> Interview with a vice director of Qizong Township, summer 2004. This was the perspective of the township government. Based on interviews with peasants and their leaders, this author argues that peasants in Qizong did not seek any political rights and did not build any formal organization that cut across different towns. In other words, there was no such organization as a Peasants Association. The protest relied on leadership and dense informal rural networks, rather than any formal organization. The protest was contagious, but it was also township-bound.

Peasant leaders were charged with kidnapping a police officer in a premeditated and organized way (*you zuzhi, you yumou*). They were sentenced to much longer jail terms than those in the north. Xie Weimin was sentenced to 13 years in prison. Tian Zhiyong, the peasant who kidnapped a vice township mayor for 12 days was sentenced to 11 years in prison. Two were sentenced to ten years and two were sentenced to four and a half years in prison. Three were sentenced to three years in a labor camp, one of whom died at home before the end of his term after being beaten severely by police officers and township cadres and denied medication. One escaped and was still hiding somewhere in the summer of 2004.

Xie Weimin has heart disease, high blood pressure, and diabetes. His health has deteriorated in prison and he needs to take medicine every day. All his medication has to be sent from home by his wife, who supports the family and their three children by working in a paper mill and making about 400 yuan a month. Xie's wife visited her husband in prison once or twice a year in the past few years. Each time she was only allowed to see him for a few minutes.

Feeling that they were wronged by the local government, several peasant representatives in Qizong petitioned the central government in Beijing in 2002. Unlike peasants in the northern cases who received a sympathetic hearing from various central offices of letters and visits, in this case, the Bureau of Letters and Visits of the Central Committee (*zhong yang xinfang ju*) criticized peasants severely for breaking the law and order and for kidnapping cadres. In spite of this setback, peasant leaders were determined to petition more and were hopeful that in their lifetime their names would be vindicated. Xie Weimin, for example, told his wife to endure temporary difficulties, to take good care of the three children, and to look forward to the future. He believed that the communist party would cease to be corrupt one day. Zhou Pucheng said: "We were sentenced to such a long time in jail by the people's

government that deep in our hearts we are not satisfied (*bu fu*). Once we have the money we will petition Beijing again. We want the government to treat us fairly and justly.”

### ***Peasant Militancy and Optimism Remain***

Surprisingly, in spite of severe state repression, peasant leaders in Qizong have maintained their militancy and optimism. In the northern cases, state repression demoralized peasant leaders, especially those such as Zhang Xiuyuan, who deeply believed in the party and thought that they were doing a service to the party by leading the effort to ensure that the local government would implement central party policies. In Qizong, however, state repression has not served the most important function which is needed for the government to maintain rural stability in an era of widespread decline of state legitimacy: to terrorize peasants so much so that nobody dares to be a peasant leader.

Though all were punished severely for their leadership role, peasant leaders in Qizong have never regretted the moment when they decided to lead the protest. They are determined to organize protests again if their burdens ever bounce back.<sup>64</sup> Since they were released from prison, some leaders have continued to petition higher levels of government over local issues. For example, Yang, a peasant leader in his 70s, who was beaten the most severely in prison among all leaders in 1996, continues to petition higher authorities. Zhou Pucheng, another peasant leader who was imprisoned for 51 days in 1996 and sentenced to three years in a labor camp in 1998, continues to be

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<sup>64</sup> With the abolition of the agricultural tax in 2005, there is no such danger in the near future. However, it remains to be seen if the local government in Hunan and other parts of Central China can refrain from taxing peasants in the long run.

active in unorganized opposition politics and is determined to petition Beijing in the future.<sup>65</sup>

This militancy and optimism are not limited to the leaders themselves but also spread to their family members. Whereas in Changtang, Guo Weiguo's mother cried very often after Guo was put in jail, Xie's wife, his brother, and sister-in-law all believe that he has done the right thing. There is no lamentation over the long jail term or the deterioration of Xie's health in prison. There is no regret over his leading the protest and the destruction that it has brought to the family. Life goes on with hope for the future, in spite of the suffering in the present.

After the suppression, the leaders have maintained the close ties that they developed with one another during the protest. According to Zhou Pucheng,

We are bitter melons on the same vine and we have established a deep feeling [toward one another] based on comradeship. On holidays and birthdays, we gather together and chat over a cup of rice wine. We help one another out in difficult times. When Xie Weimin turned 50 this year, we all brought money and some gifts and celebrated.<sup>66</sup>

Peasant leaders are highly respected by villagers. Whenever a peasant leader is released from prison, many villagers, the oldest ones in their 80s, and the youngest ones in their early teens, pay their respects to him, bringing with them eggs, fish, meat, and other gifts. Many peasants respectfully called Xie Weimin the Chairman (*zhuxi*), comparing him to Chairman Mao Zedong. Asked why peasants called Xie "the Chairman," one answered: "Like Mao Zedong, he led us peasants, lowered our

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<sup>65</sup> He went to the township government again in 2003 to see if it was indeed true that a television crew from the prefecture was interviewing Yang about some problem that Yang had complained about to higher levels of the government. For this activity, the township government reprimanded Yang and Zhou for "continuing illegal organizational activities."

<sup>66</sup> The Chinese idiom means that they share the same fate and thus are very close to one another. When I interviewed peasants and their leaders in Baishiqiao Village in summer 2004, five leaders were still imprisoned.

burdens, and brought real benefits to us. Otherwise, the local government demands this and that kind of taxes and fees from us peasants, even though we are still quite poor.”

Ever since Xie Weimin was put in jail, peasants have been helping out Xie’s wife. During the double-harvest time (*shuang qiang*) in summer, which is the most labor-intensive period during the entire year, peasants always provide labor for free and help Xie’s wife to harvest her grain first.<sup>67</sup> With the help of other peasants, Xie’s wife at first opened a small gas station. Later, she began work in a paper mill and makes about 400 yuan a month, thus supporting the family and their three children. On Xie Weimin’s 50<sup>th</sup> birthday in the summer of 2004, a 78-year old peasant, who was both too carsick and too old to visit Xie Weimin in such a faraway prison, cried and said: “Before I die, I have to see Xie Weimin once more. Otherwise even my eyes will not close when I die. I will be dead by the time he is released from prison.”<sup>68</sup>

Though the local government in Qizong pacified peasants by arresting the leaders, it has not succeeded in reasserting its rule at the village level. Rather its governance stops at the township level. Many villages in the original Qianjiang Township, particularly Baishiqiao Village, the protest center, remain under the control of peasants and their leaders, rather than the township government. To this day, Baishiqiao Village remains a no man’s land,<sup>69</sup> as can be seen from the following comment:

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<sup>67</sup> The double-harvest period falls in late July and early August in Hunan, when the weather is very hot. It lasts for about half a month. During this short period, peasants not only have to harvest the early crop but also plant the late crop, which is very demanding physically. Many peasants either have to hire labor or exchange labor with relatives and neighbors. Sometimes even sons who have found permanent jobs in the city have to return to the countryside to help their family during the double-harvest season.

<sup>68</sup> The old man cannot visit Xie Weimin in the prison because Xie is imprisoned in a distant place and the old peasant gets car sick.

<sup>69</sup> In Mandarin, a no man’s land is “*san bu guan de difang*.”

The police dares not to enter this village to fine drivers. Whenever township cadres or even police officers from the Public Security Bureau enter this village, they have to be very careful no matter what they do. Because the moment they do something wrong, the villagers will surround them... The local government has left us [peasant leaders] alone. Very often it is even afraid of us. This is because whenever local cadres do something unjust, we will criticize them and they are afraid.

The high spirit of the leaders that refuses to be defeated in spite of state repression, the close ties among peasant leaders, the support they have among peasants, and the protest center which is still controlled by peasants and their leaders rather than by the township government make the township of Qizong potentially rebellious. In contrast, it will be very hard for peasants to rebel again in the north. In Qizong, protest leadership remains intact. In Changtang and Cangyuan, state repression has destroyed peasant leadership.

### ***Protest Results***

Due to its unusual militancy and better organization, the Qizong protest achieved the best results among all three cases. The peasant burden was reduced by as much as 60% in 1996. It has remained low since 1996. The burden level was the lowest in the entire county and it did not increase even after the leaders were imprisoned. Since 1996, the level remained at around a little more than 40 yuan per person, which was significantly lower than the burden level before the protest. The education surcharge was lowered by almost 50%. Tuition was significantly lowered and has not increased since 1996. Other types of taxes and fees were also lower than those of other townships in the same county.

## Part II. Peasant Acquiescence in Dong County

Ruthless extraction by the local government did not always lead to peasant rebellion.<sup>70</sup> As mentioned in chapter 5, it was more common for peasants to abandon their farmland and migrate to cities, to endure the heavy hand of the local state, to refuse to pay their taxes and fees through uncoordinated efforts, or to engage in small-scale tax riots than to carry out organized protests.<sup>71</sup> Because state repression can easily crush any peasant protest, it works as a strong deterrent. It is for good reasons that peasants usually do not fight with the state (*min bu yu guan dou*).

Peasants in Dong County in the 1990s provided an example of peasant acquiescence. Dong County lies in southern Hunan and is surrounded by mountains. The county itself, however, is partly hilly and partly flat. Although it belongs to Shi prefecture of Hunan province, Dong County neighbors Guangxi province and is closer to the big city of Guilin of Guangxi province than to the city of Changsha, the provincial capital in the north. Peasants in this county are even poorer than those in Qizong Township in Qinggang City located in central Hunan, which is designated as a poor county by the provincial government. This can be seen from the peasants' houses in Dong County, which are either much smaller or one generation away from the houses in the north and the center.

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<sup>70</sup> All the information on peasant acquiescence in Dong County is based on interviews that I carried out during a brief field trip I made to the county in summer 2004. I first talked to several migrant peasants who were working in the county seat. I then hired one of them to transport me from village to village to gather information on peasant burdens and help me interview peasants from the village where the tragedy of Young Zhou occurred. Altogether, I interviewed several migrant peasants in the county seat, several ordinary peasants in different villages that were far away from the county seat, and Young Zhou's father.

<sup>71</sup> See "Primitive Rebels" in chapter 5.

## Why Dong County?

While peasants in many areas of Hunan failed to carry out sustained protest, the acquiescence in Dong County was particularly puzzling for two reasons. First, the local government was particularly predatory here. Between 1995 and 1998, when peasant burdens reached the highest level in Hunan, Dong County collected a staggering amount of 230 yuan from each peasant, a level that one should only expect to see in a lake county in northern Hunan. This level was at least 60 yuan higher than similar hilly counties in the north, where peasant burdens were already heavy.<sup>72</sup> The education surcharge here once reached 60 yuan per peasant, whereas in the three cases of peasant protest it never exceeded 36 yuan per peasant (tables A.18-19 and A.24). The pig slaughtering tax once reached 20 yuan per person in Dong County, whereas in northern and central Hunan, it was usually less than 5 yuan per peasant (table 3.1) or less than 10 yuan per peasant household (table A.3).<sup>73</sup> In the 1990s, Dong County forced peasants to plant sugar cane and tobacco. If they did not plant these cash crops because they did not have the technique and could not grow them well, they would be fined. If they indeed grew tobacco, the procurement agencies would lower both the grade and price (*ya ji ya jia*).<sup>74</sup>

Second, the endurance and acquiescence of peasants in Dong County in the 1990s were all the more striking because they were notorious for their brutal political activism during the Cultural Revolution. Rebels and conservatives killed one another so much so that rivers were filled with corpses. More than ten years later, swimmers in

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<sup>72</sup> See “Variations of Peasant Burdens in Different Topographies” in chapter 3 for details on burden levels in lake areas, hilly areas, and mountainous areas in Hunan in the 1990s.

<sup>73</sup> See “The Pig Slaughtering Tax and the Special Agricultural Product Tax” in chapter 3 for the level of the pig slaughtering tax in northern and central Hunan.

<sup>74</sup> See Yali Peng, “The Politics of Tobacco: Relations between Farmers and Local Governments in China’s Southwest,” *The China Journal*, no. 36 (July 1996): 67-82 for an analysis of a similar practice in Guizhou Province.

rivers could still occasionally stumble onto skulls of those killed in the Cultural Revolution.<sup>75</sup> Thus, it was certainly not lack of a radical tradition that explained peasant inaction in this county in the 1990s.

### **The Tragedy of Young Zhou**

In December, 1998 (lunar calendar) the Chrysanthemum Garden Township organized a work team of 42 members to force a peasant to hand in rear taxes and fees. Unlike other places where cadres at least refrained from taking away the peasants' property at night, this large group appeared in the peasant's home deep at night. Zhou, a neighboring young peasant in his early 20s called the township cadres "bandits" (*qiang dao*). Upon hearing this comment, the head of the Public Security Office of the township fired at the peasants. Young Zhou was wounded severely in his chest and another peasant was wounded in his leg.

Zhou was at first treated in a local hospital. Fearing that Zhou's father would commit suicide in the township government compound, the township finally agreed to transfer young Zhou to a large hospital in the city of Guilin of Guangxi province, the biggest city that was closest to Dong County. The township, however, refused to pay a penny of Young Zhou's hospital bills. The father borrowed 600 yuan from relatives and had to beg in the city while taking care of the son in the hospital. He also had to beg, walk, or seek free rides all the way from Guilin City to the village when the Spring Festival was approaching.

As a result of being shot by the police officer in his chest, young Zhou has become permanently disabled. He can no longer do any heavy labor that a peasant has to do to survive, such as tilling the land or carrying heavy objects on his shoulder

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<sup>75</sup> Interview with a migrant peasant worker who opened a restaurant in the seat of Dong County, summer 2004.

poles. Lacking the physical stamina, he had to return home after working as a migrant worker (*da gong*) for only a few days. He now makes a living by washing dishes for other people, making 200 to 300 yuan a month. Young Zhou was not married before he was shot and cannot find a woman after that incident. His father, in addition to tilling the land, gets by through collecting garbage every day.

The two families jointly sued the township and actually won the lawsuit. The court ordered the township government to compensate the two families with 400,000 yuan. Yet the township had not paid a penny as of the summer of 2004. Hospital bills, lawsuits, and the loss of the ability to labor impoverished young Zhou's family. Being poor, the family was looked down upon by fellow villagers. There was no sympathy. "I would rather be dead than alive,"<sup>76</sup> the old man said in tears but also in fear and in a quiet voice when recounting the tragedy. How many taxes and fees did young Zhou owe the township that brought him the tragedy for which he had to suffer for the rest of his life? Around 80 yuan.

In other places, a "bloody peasant case" (*xue nong anjian*) where a peasant died while rural cadres attempted to collect taxes and fees from him or her was always settled through the township paying a large sum of money to the dead peasant's family.<sup>77</sup> Moreover, peasants would typically respond to such cases by besieging the township compound. In the case of the death of a burden-reduction leader, as was the case in Cangyuan Town of Yuanxiang County, a massive crowd of more than 40,000 peasants was instantly formed when Duan Xiaofeng died. The riot ended only after the corpse was buried and the family got compensated. Township cadres

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<sup>76</sup> In pinyin, "*wo huozhe hai buru si le hao.*" Interview with Young Zhou's father in Dong County, summer 2004.

<sup>77</sup> The compensation amount was only large relative to the annual income of an average peasant in Hunan. Usually the amount ranged from 60,000 to 80,000 yuan in northern Hunan.

implicated in these incidences were either demoted or put in prison for a short while. In the case of Yuanxiang County, the county's party boss was also removed.

Even though a township seat was always located right next to a major street, whereas a bloody peasant incident usually happened in a village that was somewhat far away from the township seat, one could very easily find peasants from the major street of a township seat who knew about the incident and were willing to take one to the village. Once in the village, thongs of angry peasants would join the victim's family telling the story and complaining how heavy their burdens were and how rural cadres ruthlessly and greedily took away their grain, their furniture, and their livestock. No peasant was afraid of talking about his or her grievances. One could easily feel the solidarity among fellow villagers when it came to the question of peasant burdens.

None of these could be found in the tragedy of young Zhou. The township did not pay the family a penny. The director of the Public Security Office was not punished at all. No collective action against the township government happened after the incident. Fellow villagers looked down upon the family instead of sympathizing with them. On the day of the interview, young Zhou's father was found near the main street of the township, collecting garbage. The interview had to be done right on the road and quickly, rather than in the village and thoroughly. It had to be disguised as some kind of random chatting and had to be carried out in very low tones. No fellow villager's view could be obtained. One could feel for the poor man and the tragedy of his son, but one could not feel any solidarity among peasants, even though it was a busy day and numerous peasants were attending the market in the township.

Why did peasants in Dong County acquiesce even though they were poorer, their burdens were heavier, and they had a radical political tradition? One possible explanation may be simply its location. Dong County is politically remote. It is too far

away from Changsha, the provincial capital of Hunan. Because peasant protest against heavy burdens in the 1990s was encouraged by their deep conviction that the central and the provincial government were on their side, the closer a township or a county was to the provincial capital, the easier it was for peasants to acquire policy documents through connections with the bureaucratic world and for peasant leaders to emerge.

This hypothesis, however, was not supported by the evidence from peasant protest in Zhi Prefecture, the southernmost prefecture in Hunan province. Zhi Prefecture is located on the edge of Hunan province and borders Guangdong province. It is also right next door to Shi prefecture, which governs Dong County. Peasants in Zhi prefecture carried out a large-scale and violent protest against heavy burdens in the 1990s.<sup>78</sup> If peasants in the neighboring Zhi prefecture could rebel, certainly peasants in Shi prefecture and Dong County could do the same.

Another possible explanation may be the road conditions of Dong County. Because the county as a whole is poorer than those in the north, the road conditions in the countryside may be too bad for peasants to carry out sustained protest. However, from the case of Qizong, we can see that peasant radicalism has nothing to do with the remoteness of a village or its road conditions. Peasants in remote areas with bad roads can be more rebellious than those in villages with excellent roads. The roads in Qizong Township are quite bad. The road that links the county seat with Qizong Township seat is bumpy and muddy, as are the roads that link villages to the township seat. Further, the remotest village in Qizong Township (Qianshui Village) was also the most riotous one. In Dong County, the Chrysanthemum Garden Township where Young Zhou was shot and permanently disabled is connected with the county seat by a

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<sup>78</sup> Interviews with peasant protest leaders, their relatives, and ordinary peasants in Baishiqiao Village, Qizong Township, Qinggang City, summer 2004. A peasant activist from Zhi Prefecture went all the way from there to Baishiqiao Village in central Hunan and gave them more policy documents, which was why peasants in Qizong Township knew about the protest event in Zhi Prefecture.

highway. After the tragedy happened, however, fellow villagers did nothing, though the county's seat was only about a half hour drive away.

### **Lack of Peasant Leadership and Peasant Acquiescence**

This author argues that peasants in Dong County endured their heavy burdens and poverty rather than rebel due to lack of political leadership. As the cases of Changtang, Cangyuan, and Qizong demonstrated, in order for peasants to carry out organized and sustained protest, they needed leaders who would protect them from state repression. Because they remained anonymous, the state could not punish any peasant followers. It could only punish the leaders. Thus, the peasant followers could hide themselves safely behind the shield. The emergence of peasant leadership also helped to overcome the free-rider problem that plagues peasant protests. Because every peasant benefited significantly from having his or her burdens lowered, because dense rural networks made it easy to mobilize peasants, and because policy documents legitimized the peasants' claims, all that it took to transform peasant acquiescence into peasant rebellion was the emergence of protest leaders.

As a result of lack of leadership in this county, no policy document about lowering peasant burdens was ever heard about, posted, read, or transmitted among peasants in other ways. No protest center could be found. No solidarity among peasants was formed. In the words of a peasant, "Peasants here are capable of being angry but not capable of speaking out [their grievances]. [Even when] they are capable of speaking out, they are incapable of acting out [their common interests]."<sup>79</sup> For lack

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<sup>79</sup> In Pinyin, "*gan nu er bu gan yan, gan yan er bu gan xing.*" Interview with a migrant peasant who opened a restaurant in the seat of Dong County, summer 2004.

of leadership, peasants in this poor county have endured the heavy hand of the local government, just like what peasants have done for most of China's history.<sup>80</sup>

### **Part III. The Making of Peasant Protest**

Through this detailed case study comparing three positive cases of peasant protest (Changtang, Cangyuan, and Qizong) and one case of peasant acquiescence (Dong County), it is clear that in order for peasants to carry out organized and sustained protest, peasant leaders had to emerge because the emergence of peasant leaders provided a shield of protection against state repression that made it safe for peasants to rebel. Further, since leaders shouldered all the risks involved in protest activities, their emergence also changed the peasants' calculation of rationality, enabled them to overcome the free-rider problem, and made it rational for peasants to rebel.

#### **Peasant Leadership**

Who were peasant leaders? Peasant leaders were a self-selected group. They were peasant cadres and peasant intellectuals, both of whom were products of the local party-state. Some leaders were retired village cadres. Some were demobilized soldiers. Some were communist party members. Many were team heads. All worked for the party-state, including the military at some point in their life. Through working for the party-state, including the very end of the reach of the state, the team, a peasant leader nurtured his political activism, developed a public spirit, acquainted himself with party policies, and turned himself into an effective public orator. In other words, a peasant

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<sup>80</sup> This is not to say that peasants in this county did not occasionally burst into anger and rioted. At least one such incident where peasants smashed a government plate was mentioned during my short field trip to this county.

leader acquired political capital which distinguished him from the rest of the peasants. It was not surprising that the team, the last layer of the state's administrative ladders, provided the most common pool for peasant leadership. It was much easier to become a team head than to become a village party secretary, join the communist party, or join the military and thus become a demobilized soldier later.

With the exception of a peasant protest led completely by old peasants where none had a high school diploma (the case of Cangyuan), the position of the most important peasant leader was always taken by one who had a high school diploma, the highest degree that a peasant in China could achieve before (s)he stopped being a peasant (the case of Changtang and Qizong). A peasant with a high school diploma belonged to the intellectual elite in the countryside. In the minds of peasants, he was very cultured and highly educated. His education gave him a good command over language and made him a more powerful political writer, a more eloquent public speaker, and a more capable leader. Without him, the educated leader, who could champion their cause, write up their grievances, justify their rights to rebel, and stir peasants, a peasant protest, even when it could start, remained lukewarm and timid (the case of Cangyuan).

### **Policy Documents**

In all three cases, peasant leaders emerged when they saw an opportunity: policy documents issued by higher levels of governments, particularly the central government, on lowering peasant burdens. These documents and the inability of the local government to implement them not only provided an opening of the political opportunity structure (POS) for the peasants, but also gave them the legitimate right to rebel. Peasants were convinced that their protest activities were sanctioned by the party-state. Acquiring policy documents was a necessary condition for peasant protest,

providing the most important weapon in peasant protest. These documents led to the emergence of peasant leaders, helped to mobilize peasants, and played an important role in the diffusion of the protest. Given their importance, it is no wonder that in all three cases, peasants and local cadres clashed over policy documents. Peasant leaders popularized documents among as many peasants as possible, whereas local cadres hid them, tore apart slogans and documents posted by peasants, and denied the authenticity of these documents.

### **Mobilizing Peasants**

In all three cases, mobilization of peasants was easy and swift. For several reasons, a small number of leaders easily mobilized a large crowd of followers. First, peasants shared a common interest in having their taxes and fees lowered. Second, peasant leaders provided a shield of protection against state repression and shouldered all the political risks involved in protesting. Third, peasants were convinced that their protest activities were approved by higher levels of the government. Finally, dense rural networks that peasants developed through living in close quarters and through economic, religious, and ceremonial interactions made news travel rapidly in the countryside, with or without any modern communication tools.

### **Leadership Style and Organization**

Through comparing the three positive cases among themselves, we can see that the Qizong protest was the most successful, the Cangyuan protest was the least successful, and the Changtang protest lay somewhere in between. These differences were due to different numbers of leaders, different leadership styles, and different degrees of organization of the three protest events. The Qizong protest was the most successful because its leaders were the most militant and because it was the best

organized of the three. The Cangyuan protest was the least successful because it had the smallest number of leaders and because the leaders had an unusually civil leadership style. The Changtang protest had almost the identical number of leaders as the Qizong protest. However, the leaders were far less militant and the protest was not as organized as the one in Qizong.

Why did the leadership style in the three cases vary in such a way? Why were some leaders more militant than others? I argue that the different leadership styles were a result of the extent that peasant leaders were constrained by the interpretative framework of the party-state. Leaders who completely accept the party-state's interpretative framework regarding peasant burdens would also carry out the protest against heavy burdens in a way that was allowed by the party-state. Those who could break this interpretative framework, on the other hand, were capable of engaging in forms of protest that were not sanctioned by the state. Those leaders who derived the right to resist heavy burdens entirely from policy documents on lowering peasant burdens tended to be less militant and tended to adopt peaceful protest forms. Leaders who could combine the state's interpretative framework with the peasants' own sense of justice and political legitimacy, tended to be more militant and tended to carry out more disruptive protests. Specifically, the moment peasant leaders lost respect for the local government and no longer treated the local government as the government, the protest started to become violent. Because they were constrained by party disciplines and because they largely accepted the state's interpretative framework, veteran communist party members were much less likely than non-communist party members to challenge the authority and the legitimacy of the local government completely. Thus, those protests led by communist party members tended to be less militant than those led by non-communist party members.

All three leaders in the Cangyuan protest were veteran communist party members in their 50s or 60s. Furthermore, two of the three leaders were retired village party secretaries. As a result, they were particularly constrained by party discipline when they carried out the protests. They strictly followed the rules of the local government on how to carry out lawful protest. Never did they carry out any disruptive protest activities nor advocate burden-reduction policies on a large scale. Most leaders in the Qizong protest, on the other hand, were not communist party members. They were deeply convinced that justice was on their side, which made them particularly fearless and militant leaders. Thus they kidnapped local cadres and encircled the local government not once, but numerous times. Most leaders in Changtang were also communist party members. Their protest, as a result, was also peaceful and lawful.

The Qizong protest was also the best organized of the three. Unlike in Changtang and Cangyuan, peasants in Qizong established an informal township-wide organization from the very beginning of the protest, which consisted of more than 80 representatives from the entire township. Each village of the township elected one or several representatives. These village representatives significantly increased the ability of the leaders in Qizong to coordinate the protest because they provided a fixed channel of communication between leaders and peasant followers in each village and increased the number of peasant activists eight times (from a little more than 10 to more than 80). There was no such fixed communication channel between leaders and followers in either Changtang or Cangyuan, as no protest organization existed. In these two northern cases, leaders had to rely solely on informal meetings and frequent visits among the leaders themselves. The Cangyuan protest, as we know, failed to spread from the protest center to other villages in the town. The Changtang protest did gradually spread to the entire town. However, lacking a town-wide organization, the

leaders could not find fixed activists or representatives in each village on whom they could rely to implement their decisions and coordinate the protest. Though several activists did emerge in many villages, as the protest spread from the center throughout the entire town, some villages lacked an activist until the very end. Compared to this loose coordination mechanism in Changtang, the membership in the informal organization in the Qizong protest reduced uncertainty and transaction costs (Keohane 1984), expanded areas covered by activists, and increased the ability for the leaders to coordinate the protest.

### **Diffusion of Protest vs. Diffusion of Riots**

In none of the three cases did the protest diffuse beyond the boundary of a township, whereas peasant riots inspired by the protest easily spread to numerous townships/towns (the case of Cangyuan and Qizong) or even different counties (the case of Changtang). In spite of the universal grievances that peasants had toward the predatory local state in the 1990s, the peasants were unable to mount a large-scale protest wave. They failed to make coalitions with protesting peasants elsewhere, even when they were right next door (neighboring townships/towns). As a result, though widespread, peasant protest in the 1990s was still limited to pockets of rural radicalism. Within these pockets, protest events in different townships/towns were separate, rather than unified, as peasants in different townships/towns failed to make coalitions through building a unified leadership.

However, this is not to say that different protest events in the 1990s did not affect one another. They did. Different protest events, far and near, mutually influenced one another through a contagion effect. They set an example for each other and they learned from each other. Furthermore, the mere fact that peasants in one area were protesting sometimes was enough to encourage some peasants in nearby areas to

decide to lead a protest. Most importantly, peasants in different protest events borrowed policy documents from one another (the case of Changtang and Qizong). Borrowing policy documents became the most important mechanism through which the contagion effect took place.

Why was peasant protest in the 1990s township-bound, in spite of the universal grievances that peasants had against heavy taxes and fees? This occurred because of the loose mobilizing structure of the three protest events, which consisted of leadership and dense rural networks. This mobilizing structure was very effective in propelling a protest to spread from the center, defined as the village where the protest originated and where the most prominent leader lived, to an entire township/town. Peasant leaders, through informal meetings that met irregularly made decisions, determined tactics, and coordinated the protest. Dense rural networks made news about the protest and policy documents travel very fast in the countryside. Together, leadership and dense rural networks either gradually (the case of Changtang) or quickly (the case of Qizong) brought peasants from an entire township under one protest, even though leaders had few resources and carried out a minimum amount of mobilization.

Nevertheless, leadership and dense rural networks could not provide the level of coordination that was needed in order to mount a protest that cut across different townships/towns. For that to happen, an organizational solution was required. Peasants had to build a formal organization with professional staff members who could specialize in coordinating protest activities. Better channels of communication between leaders and followers were also needed. This kind of organization, however, was out of the reach of the peasants, not only because peasants did not have the resources or the time to spare, but also because they did not even intend to build such an organization. The party-state not only provided leadership, but also policy-

documents on which peasants justified their claims. Thus, peasant protest against heavy burdens did not challenge the political system, which meant that peasants would not take the crucial step toward building an independent and professional protest organization.

While peasant protest was township-bound, a riot encouraged by a protest could easily involve tens of thousands of peasants from numerous townships/towns. Because a riot required far less coordination and organization than a protest, the peasants' collective rage against the local predatory state, when combined with rumor, a well-known peasant public figure, such as Guo Weiguo, Duan Xiaofeng, and Xie Weimin, and dense rural networks which made news travel fast in the countryside, enabled a large crowd of peasants to form quickly. The fact that a protest, though township-bound, could easily turn into a large-scale riot made peasant protest in the 1990s far more disruptive and its impact on political stability in the countryside far more severe than the limited scale of the protest would have predicted.

### **Policy-based Resistance**

Peasants in all three cases indeed engaged in policy-based resistance. In all three cases, protests started when some peasants acquired policy documents and started to popularize them among other peasants. However, through comparing the three cases, we can see that protests led by peasants who were less constrained by the party-state's interpretative framework tended to be more violent than those who were more constrained by this framework. Thus, the Qizong protest was more violent than the two northern cases. Though peasants could occasionally come up with their own justification of their right to rebel against the local government, they did not challenge the legitimate right of the party to govern. Thus peasant protest in the 1990s, though

widespread, did not challenge the political system or the political legitimacy of the party-state.

### **Leadership and the Emergence of Peasant Protest**

In spite of a few recent exceptions (Aminzade al. 2001; Barker, Johnson, and Lavalette 2001; Snow, Soule, and Kriesi 2004; and Erickson, Nepstad and Bob 2006), most of the existing social movement literature has little to say about leadership. By analyzing the crucial role played by peasant leadership in peasant protest, this dissertation makes an important contribution to our collective understanding of contentious politics. Through studying peasant leadership, the dissertation obviously makes a strong argument for agency in the study of contentious politics. However, the most important theoretical contribution of the dissertation lies not in the emphasis on individual agency but rather in that it has developed a structural theory of peasant leadership.

This study of peasant protest emphasizes individual agency in two ways. First, it argues that without peasant leaders, peasants were incapable of carrying out organized and sustained protest, despite their universal and deep grievances against heavy burdens. Second, it argues that different leadership, such as the number and the militancy of leaders left a different imprint on peasant protest. Peasant protests with more leaders were more successful than those with fewer leaders. Peasant protests were less militant and less successful when they were led by those who were less assertive and who shared the party-state's interpretative framework. The protests were more militant and more successful when they were led by leaders who were more strong-willed and who had come up with their interpretative framework regarding the peasants' right to rebel.

However, we cannot stop at the emphasis on individual decisions and different leadership styles. We need to ask where leadership comes from and why it is important. In accounting for both the origin and the role of leadership in peasant protest, I have developed a structural theory of peasant leadership. Similar to Bourdieu's structural theory of cultural capital (1984), I argue that peasant leadership is produced by the political structure of the Chinese party-state. Peasant leadership is crucial for organized and sustained peasant protest because it provides a shield of protection against state repression. In turn, this shield of protection made it rational for ordinary peasants to protest. Both arguments (the origin of peasant leadership and why it is important) derive from the same structural constraint: the party-state dominates the political realm in China. Hence, the political activism of social protest leaders can only be nurtured within the party state, rather than from without.

This understanding of mine differs from both liberal and Marxist ideas. Though coming from two completely different intellectual traditions, both liberals and Marxists argue that history progresses through the struggle between two antagonistic yet interdependent actors (bourgeoisie vs. proletariat or the state vs. the people). This dissertation argues that this dichotomous paradigm cannot be applied to an authoritarian country like China, where political power originates from one center (the party-state), rather than from two competing centers. In the picture presented in the dissertation, instead of two antagonistic yet interdependent players, there is one player that generates its own criticism.

The contribution of this structural theory of peasant leadership lies in that it identifies the party-state as the political structure that has produced peasant leadership, a finding that should not surprise anyone who studies the politics of an authoritarian country. Nevertheless, it may be surprising to those who think that political resistance

can only come from those who work against the political system, such as political dissidents and the civil society.

This structural theory explains the necessary, but not sufficient conditions for the emergence of peasant leadership, for not every peasant who possesses the political capital will decide to become a peasant leader. Though this structural theory cannot predict who will become a peasant leader, it certainly tells one who will not. A peasant who has never worked for the party-state can never become a leader in social protest. For example, a peasant who has only been doing business and who has no experience of working for the party-state cannot lead a protest against heavy burdens. In none of the three cases were peasant leaders business men, whether successful or not. Neither can a peasant who is not articulate become a leader. A peasant put this well. Asked why he did not become a protest leader even though he supported the leaders wholeheartedly, this peasant answered:

My ability (*shui ping*) is limited. I am more than willing [to become a leader], but I do not have the capability (*xin you yu, er li bu zu*). I cannot speak well [in public]. I cannot write well. I think about something in my mind, but I cannot express myself clearly in words. There are some ideas that I do not know how to express.<sup>81</sup>

The theory also predicts that among all leaders in a peasant protest, the one with a high school diploma and the one who is most learned and most articulate will always become the most prominent leader. It is important to identify the most prominent leader of a protest, because he decides many feature of a protest, such as the militancy and the scale of the protest.

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<sup>81</sup> Interviews with peasant protest leaders, their relatives, and ordinary peasants in Baishiqiao Village, Qizong Township, summer 2004.

## **Conclusion**

It was true that peasant protests in the 1990s were limited to pockets of rural radicalism and that they did not pose an immediate threat to the party-state. These protests were still township-bound. Peasants made no coalition with protesting peasants in neighboring townships/towns. Peasants neither challenged the political system nor sought political rights. They had neither the time nor the resources to build professional protest organizations nor did they intend to do so. The leadership was still in the hands of peasants produced by the local party-state. Finally, peasant protests against heavy burdens largely relied on the state's interpretative framework regarding the peasants' right to rebel and did not challenge the interpretative hegemony of the party-state. They have not come up with an ideology/interpretation that would challenge the party-state's rule in the countryside.

However, widespread peasant protests in the 1990s and their tendency to turn into massive riots demonstrated that a profound rural crisis in China was unfolding. There was a danger that if nothing was done to solve rural problems, the peasants might succeed in building coalitions with one another. Even if the peasants would not succeed, peasant protest, if left unchecked, would seriously erode the legitimacy of the local government. Political legitimacy, once completely gone, would be very hard to rebuild. To maintain long-term political stability and to strengthen its rule in the countryside, the central government had to seriously tackle the fiscal crisis and bureaucratic expansion that had plagued the local government since the 1990s. Issuing policy documents alone did not solve the problem but only made the situation in the countryside more volatile.

**CHAPTER 7:**  
**TO BE OR NOT TO BE: RURAL TAX-FOR-FEE REFORM AND ITS**  
**IMPACT ON LOCAL GOVERNMENT**

Part I (chapters 1-4) of this dissertation has explained why and how the fiscal crisis and bureaucratic expansion and corruption in rural China led to the emergence of the predatory local state in the 1990s and beyond. Part II (chapters 5-6) analyzes the conditions under which peasants were able to mount a sustained and organized protest against such a local state. It argues that the emergence of peasant leadership is necessary for organized protest and that organization and militancy are crucial for the diffusion and success of a peasant protest. Part III (this chapter) studies the most important response of the central government in dealing with the twin crises (fiscal and political) that have plagued the Chinese countryside since the 1990s: the rural tax-for-fee reform (2002-2006). Hailed as the third revolution in the Chinese countryside, the rural tax-for-fee reform indeed solved the most explosive issue in the countryside: grain collection. While the reform has lowered peasant burdens, restored rural stability, and ushered in a new era of rural development (i.e., the policy of establishing the new socialist countryside), it cannot solve the structural problems that China's countryside faces, namely: the difficulty to develop China's vast countryside and the fiscal crisis and bureaucratic expansion and corruption of the local government. Therefore, the pressure to overtax peasants still exists. The story of a weakened and a predatory local government and the conflict or even confrontation between the local government and the peasantry will continue to unfold in rural China, though in a less dramatic way. The immediate causes and the form of this confrontation, however, may differ from what was described in this dissertation.

This chapter has three parts. Part one explains what the rural tax-for-fee reform was and how it affected peasant burdens. Part two analyzes the impact of the reform on public finances and debt reduction of the local government and on the provision of public goods in rural China. Part three discusses the options that the local government has after the rural tax-for-fee reform and the effort to build the “new socialist countryside” in China. This chapter uses the term tax-for-fee reform in its broad sense. Peasants and local cadres clearly distinguished between tax-for-fee reform and abolishing the agricultural tax. In their minds, tax-for-fee reform only referred to the agricultural policy carried out in 2002 and 2003, which collapsed different taxes and fees collected from peasants into one agricultural tax. It did not include policies carried out between 2004-2006, which first lowered and then abolished the agricultural tax. In this chapter, however, the term tax-for-fee reform refers to both because both policies were two steps in the same process of lowering peasant burdens.

### **Part I: Rural Tax-for-Fee Reform and Its Impact on Peasant Burdens**

In the late 1990s, peasant protests and riots against heavy taxes and fees were widespread. Collecting taxes and fees from peasants became increasingly difficult and more and more peasants started to default on their tax and fee obligations toward the local government. Therefore, rural public finance crumbled. Public projects in the countryside were in shambles. Villages, townships, and counties plunged very deeply into debt. The debt was not only alarmingly huge, but also exceedingly complex.<sup>1</sup> It was clear that a new rural policy was badly needed in order to fix the twin crises in the countryside. This policy must achieve four major goals. Above all, peasant burdens had to be lowered. Otherwise, the relationship between the local government and

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<sup>1</sup> See “Impact on Debt Reduction of the Local Government” in this chapter for details.

peasants would be strained to the point of no return. Heavy taxation had led to widespread peasant protests and riots that could potentially turn into large-scale peasant uprisings. The long-term survival of the party could not be built on the shoulders of a large and disgruntled peasantry. Heavy taxation would further the disintegration of the countryside by forcing peasants to abandon farmland and ultimately threaten China's food safety. Second, a new rural public finance system had to be established. The toughest question to solve here was how both to lower peasant burdens and ensure adequate funding for the local government. Third, the rural bureaucracy and the rural education apparatus had to be streamlined. This, as we will see later in the chapter, proved to be very difficult. Finally, to encourage rural development and increase peasant income, state investment had to be tilted toward the countryside.

### **Rural Tax-for-Fee Reform Timeline: Pilot Projects (2000-2001)**

In 1998, the central government abolished the procurement grain quota. This quickly eroded the rural public finance system, which depended on ruthlessly extracting grain and money from the peasants.<sup>2</sup> As can be seen from the Changtang and Cangyuan protests, peasant riots and protests against taxes and fees in Hunan also peaked in 1998, the year when the central government granted peasants the right to resist unreasonable burdens. Two years later, in 2000, the rural tax-for-fee reform pilot project (*shi dian*) was implemented in Anhui Province and in selected counties in other provinces, such as Hunan. It was not strange that the provincial level rural tax-for-fee reform pilot project was implemented in Anhui Province, rather than in the provinces of Hunan, Hubei, Jiangxi, or Henan, all of which suffered from the problems studied in this dissertation. Anhui Province pioneered the Family

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<sup>2</sup> See chapter 4 for details.

Responsibility System Reform in 1978, which was hailed as the second rural revolution in China.<sup>3</sup> The rural situation in Hunan and Anhui is identical. Hunan, however, has a larger rural population than Anhui.<sup>4</sup> As revealed by the name, the idea behind the tax-for-fee reform was to lower peasant burdens by replacing all taxes and fees with one agricultural tax. The revenue loss of the local government that resulted from the reform would be covered by transfers from the central government.

In 2001, the rural tax-for-fee reform pilot project expanded to more provinces, including Hunan. When the author first returned to Hunan in March 2001 for her fieldwork, it was in the midst of implementing the tax-for-fee reform whereby more than 100,000 cadres from the entire province were organized into work teams and dispatched to the countryside to readjust farmland, to ensure that peasants signed the second land contract, to inform them of the tax-for-fee reform, and to implement it. For example, in Huaiyang District of Huaizhou City, 500 county and township cadres were split into 11 work groups (*gongzuo tuan*). They formed 205 work teams (*gongzuo dui*) and were posted in the 205 villages of the district.<sup>5</sup> Readjusting farmland on a small scale (*xiao tiaozheng*) and making sure that peasants signed the

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<sup>3</sup> The first rural revolution was the land reform carried out from 1950-1952. For an eyewitness account of the reform by an American, see William Hinton, *Fanshen: A Documentary of Revolution in a Chinese Village* (New York: Vintage, 1966).

<sup>4</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Department of Hunan Province, March 2002.

<sup>5</sup> *Zhonggong Hunan shengwei guanyu renzhen xuexi guanche Jiang Zemin zongshuji zhongyao jianghua de tongzhi* [A circular from the CCP Committee of Hunan Province on diligently studying and implementing the important talk of the General Party Secretary Jiang Zemin], March 7, 2001. *Zhonggong Huaizhoushi Huaiyang quwei guanyu renzhen xuexi guanche Jiang Zemin zongshuji zhongyao jianghua jingshen zuzhi jiguan ganbu jincun ruhu zhidao xietiao nongcun shuifei gaige gongzuo de tongzhi* [A circular from the CCP Party Committee of Huaiyang District, Huaizhou City on diligently studying and implementing the spirit of the important talk of the General Party Secretary Jiang Zemin and organizing cadres and dispatching them to villages and peasant households to direct and coordinate the work of the rural tax-for-fee reform], March 9, 2001. Also interview with a cadre from Huaiyang District posted to a lake village to implement the rural tax-for-fee reform, March 2001.

second round of the farmland contract (*di er lun tudi chengbao hetong*) were important components of the rural tax-for-fee reform.<sup>6</sup>

Nevertheless, the province-wide tax-for-fee reform had to be called off in the middle, mostly because there were not enough transfers from the central government to compensate for the revenue losses of counties, townships/towns, and villages in Hunan. Thus, the reform was only implemented in three counties in Hunan in 2001, including the county of Changsha, a hilly county in northern Hunan; the city of Jinshi, a county-level city near lake Dongting; and the county of Yongxin, a mountainous county in southern Hunan, which represent all three types of topography in Hunan. These three pilot projects in Hunan revealed all the major problems with the tax-for-fee reform, which would later show up when it was implemented nationwide. First, the biggest problem with the reform was that the central tax-for-fee reform transfers were not enough to cover the revenue losses of the local government. The reform thus increased the financial plight of all three levels of the local government, including counties, townships/towns, and villages. Second, the reform did nothing to help the local government repay its huge debts. Instead, it made it more difficult to do so and force the local government to borrow and get into more debt. This was because the reform decreased the flow of money and grain from the peasants to the local government and no national policy was issued regarding the debts of the local government. Third, in lake areas, peasant burdens remained high after the tax-for-fee reform due to high common production fees. In Jinshi, for example, peasants still had to pay at least 3 *dan* or 150kg of grain per person after the tax-for-fee reform.<sup>7</sup> Fourth,

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<sup>6</sup> For details, see “First Stage of the Rural Tax-for-Fee Reform (2002-2003)” in this chapter.

<sup>7</sup> All the details on the pilot project of the rural tax-for-fee reform carried in the three counties in 2001 in Hunan were provided by a cadre in the Office of the Rural Tax-for-Fee Reform in the Department of Finance of Hunan Province, March 2002.

while relieving peasant burdens somewhat, the reform also made it more difficult to provide public goods in rural areas. Finally, it was extremely difficult to streamline the local bureaucracy or to shrink the size of the rural education apparatus. As a result, deciding how to support these people without overtaxing peasants would become a pressing issue for the local government.

### **First Stage of the Rural Tax-for-Fee Reform (2002-2003)**

In spite of these problems, in 2002, the rural tax-for-fee reform was pushed through nationwide. The reform abolished the three village fees and the five unified township fees (*santi wutong*) collected from peasants, but increased the agricultural tax rate from about 3% before the reform to not exceeding 7% of the standard annual grain yield per *mu* of farmland.<sup>8</sup> Also, the agricultural tax surcharge was to increase from 14% before the reform to no more than 20% of the agricultural tax. Altogether, peasants were to be taxed at no more than 8.4% of their standard annual grain yield. Thus, the previous eight different township and village fees were now collapsed into one increased agricultural tax. The standard annual grain yield was to be determined by counties, which was the average of the annual grain yield for the five years preceding 2002.<sup>9</sup> In Hunan Province, peasants should fulfill their agricultural tax obligation mostly in cash, rather than in grain, but each prefecture could decide on its own the form of taxation it preferred.<sup>10</sup> If peasants turned in cash rather than grain,

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<sup>8</sup> On the three village fees and the five unified township fees, see sections “Village Levies” and “Township Unified Fees” in chapter 3. Also see section “The Agricultural Tax” in chapter 3 for details on the agricultural tax.

<sup>9</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>10</sup> *Guanyu wosheng nongcun shuifei gaige shishi fang'an youguan wenti de shuoming* [An explanation about several problems associated with ways of implementing the rural tax-for-fee reform in Hunan province], Feb. 27, 2001, which was a document issued by the vice director of the Office of the Rural Tax-for-Fee Reform of Hunan Province, who was also the vice director of the Department of Finance of Hunan Province.

then the price of the grain was fixed at 51 yuan per 50 kg or 1.02 yuan per kilo of grain.

The reform abolished the pig slaughtering tax and lowered the special agricultural product tax, but added a 20% surcharge of the special agricultural product tax, though the amount was very small.<sup>11</sup> The reform also abolished every kind of fund levied on peasants, the most important of which was the education fund. The only fee that could still be collected from peasants was the common production fee, but the fee was also regulated and lowered. The level of the common production fee was to be determined by the county, rather than by the township itself, which was the case before the reform.

The reform would also use three years to gradually phase out the two types of free labor services that peasants owed to townships/towns. Table 7.1 depicts the number of two labor services that peasants still owed to their local government in Fenglin District, Huaizhou City and in Dongxingyuan Town, Yuanxiang County from 2002-2005. The reform forbade townships/towns to convert these labor services into cash payments (*yizi dailao*).<sup>12</sup> Before the free labor services were completely abolished in 2005, only the government above the level of the county had the right to demand free labor service from peasants if there was truly the need, such as fighting against flooding.<sup>13</sup>

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<sup>11</sup> In Dongxingyuan Town, Yuanxiang County, for example, 20% of the special agricultural product tax for the entire town in 2002 was only 14,000 yuan. Each village had either 360 yuan or 380 yuan. In comparison, 20% of the agricultural tax surcharge for the town in 2002 was a little more than half a million yuan (5,105,000). Numbers taken from *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County], which was made on June 10, 2002.

<sup>12</sup> See section "Two Labors" in chapter 3 for details on this practice in Hunan.

<sup>13</sup> The Office of the Rural Tax-for-Fee Reform Working Group of the State Council, *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 28.

**Table 7.1: Gradually Phasing Out the “Two-Labors” during the Rural Tax-for-Fee Reform (unit: day)**

	Dongxingyuan Town, Yuanxiang County	Fenglin District, Huaiyang City
2002	20	25
2003	15	20
2004	8	10
2005	0	0

Sources: Numbers for Dongxingyuan Town were taken from the document *Dongxingyuan zhen nongcun shuifei gaige shishi fang'an* [Methods to implement the rural tax-for-fee reform in Dongxingyuan Town], which was made by the town government in April 2002. Numbers for Fenglin District came from an interview with the director of the Economic Management of Fenglin District, Huaizhou City, June 2003.

If a village must build public projects, such as building a road or a dam and there was no money for this, it could collect “one issue one discussion” fee (*yi shi yi yi*) from villagers. However, this fee could only be collected if the majority of villagers or villager representatives (2/3 or 80%) agreed to this. This fee could not exceed 15 yuan per peasant in Hunan.<sup>14</sup> The reform tried not only to lower the burden, but also to standardize and regulate the practice of collecting grain/money from peasants. It tried with no success to abolish the practice of village and town cadres going to peasant homes to collect grain. After the reform, the agricultural tax was supposed to be collected by rural tax personnel (*nongshui zhuan gan*), rather than by village or township/town cadres.<sup>15</sup> Peasants were supposed to hand in the tax to the agricultural tax office in their townships/towns, rather than sitting at home and turning in grain or money only when rural cadres showed up. Most peasants, of course,

<sup>14</sup> The number provided by an official in the Rural Tax-for-Fee Reform Office of Zizhou City was 80%, summer 2002. Two-thirds was the number provided by the director of the Economic Management Bureau of Fenglin District, Huaizhou City, June 2003.

<sup>15</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of Huaizhou City, June 2003. *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 44-45. *Guanyu wosheng nongcun shuifei gaige shishi fang'an youguan wenti de shuoming* [An explanation on several problems associated with ways of implementing the rural tax-for-fee reform in Hunan province], Feb. 27, 2001.

continued to sit at home and haggle with rural cadres about whether and how much they would pay their agricultural tax.

Another important task of the reform was to make sure that each peasant household signed the second land contract with the state, which would last for 30 years (January 1, 1998–December 31, 2027).<sup>16</sup> In some parts of China, the first land contract expired in 1993, so starting from then, many local governments, specifically townships, signed the second land contract with peasants.<sup>17</sup> The rural tax-for-fee reform made it crucial for each peasant household to sign the second land contract with the local government. The size of the farmland specified in this second land contract would become the size of the taxable farmland (*jishui mianji*) for each household and the tax duties of each household would be fixed for a long time.<sup>18</sup> During the second round of the land contract, farmland would not be re-measured. However, small adjustments (*xiao tiaozheng*) among households within a team were allowed, if more than two thirds of villagers or village representatives agreed to the adjustment.<sup>19</sup>

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<sup>16</sup> *Zhonggong Huaizhoushi Huaiyang quwei Huaizhoushi Huaiyangqu renmin zhengfu guanyu jinyibu wending he wanshan nongcun jiating lianchan chengbao zenrenzhi de gongzuo yijian* [Opinions from the CCP Committee of Huaiyang District and from the Huaiyang District Government of Huaizhou City on further stabilizing and perfecting the rural family responsibility contract system], Feb. 9, 1998.

<sup>17</sup> The first land contract in the reform era was signed in 1978 in Fengyang County, Anhui Province. Most land contracts, however, were first signed in the early 1980s. These contracts usually lasted 15 years and, thus, expired in 1993. See *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee reform] (Beijing: Dangjian duwu chubanshe, 2002), 30-31.

<sup>18</sup> Because farmland was a burden even up to 2003, many peasants refused to sign the second land contract with the state. Nowadays, with direct agricultural subsidies and the abolition of the agricultural tax, farmland has become a source of wealth for peasants. It has also become a source of conflicts among peasants and between peasants and the local government, because many of them have not yet signed the land contract. Interviews with peasants and rural cadres in counties and township in northern and central Hunan, 2002-2003 and Jan. 2005.

<sup>19</sup> *Zhonggong Huaizhoushi Huaiyang quwei Huaizhoushi Huaiyangqu renmin zhengfu guanyu jinyibu wending he wanshan nongcun jiating lianchan chengbao zenrenzhi de gongzuo yijian* [Opinions from the CCP Committee of Huaiyang District and from the Huaiyang District Government of Huaizhou City on further stabilizing and perfecting the rural family responsibility contract system], Feb. 9, 1998.

## **Rural Tax-for-Fee Reform Transfer and Its Distribution**

Because townships lost the five unified fees, the increased agricultural tax was to be mostly appropriated to townships/towns. The 20% of the agricultural tax surcharge and the 20% of the special agricultural product tax surcharge replaced the previous three village fees and became a village's income. Further, because villages lost a significant amount of money as a result of the reform, Hunan Province also asked the local government to spend about 12% of the increased agricultural tax to subsidize village income. In addition to the increased agricultural tax, the central government would hand out rural tax-for-fee reform transfers to local governments to make up for their revenue loss.<sup>20</sup>

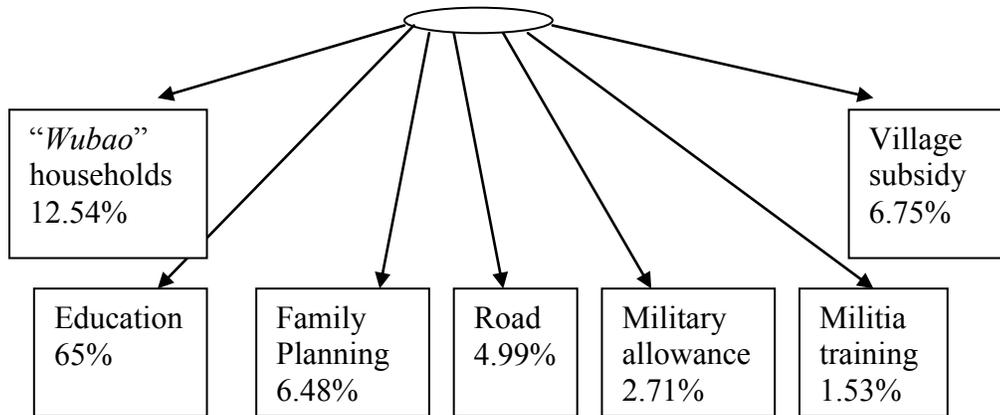
The central transfer first made up for the revenue loss of a county that came from abolishing the pig slaughtering tax and reducing the special agricultural product tax.<sup>21</sup> The amount for the pig slaughtering tax of a county was the average that it collected during the five years preceding the reform (1997–2001).<sup>22</sup> The rest of the transfer was to be distributed as follows:

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<sup>20</sup> The information about the rural tax-for-fee reform in 2002 and 2003 was collected between Oct. 2002 and June 2003 in several counties and townships/towns in northern and central Hunan. I interviewed cadres in the Rural Tax-for-Fee Reform Office at the township level, the county level, the city level, and the provincial level. I interviewed peasants, village cadres, and cadres at all government levels in the province (townships, counties, cities, and the province). I also received some documents from cadres at the township and district levels.

<sup>21</sup> Interviews with cadres in the Rural Tax-for-Fee reform Office in the Bureau of Finance of Huaizhou City, Oct. 2002 and June 2003. Interviews with cadres in the Bureau of Finance of Huaiyang District, summer 2004.

<sup>22</sup> Interview with the director of the Office of the Finance Bureau of Fenglin District, May 2003.



Sources: Interviews with cadres of the Rural Tax-for-Fee Reform Office of Huaizhou City, June 2003.

**Figure 7.1: Distribution of the Rural Tax-for-Fee Reform Transfers**

To make this concept concrete, let us now look at one example of the distribution of the central tax-for-fee reform transfer in a county (see table 7.2). As we can see from the figure and the table, 65% of the total tax-for-fee reform transfer was allocated for education, among which 10% was reserved for improving rural school conditions. Almost all the education transfer was appropriated to the county's Bureau of Education, because ever since year 2000, counties in Hunan had to pay for the teachers' salaries in the whole county.<sup>23</sup> Townships/towns received a tiny amount of the education transfer to improve conditions of rural schools. For example, the total tax-for-fee education transfer in Huaiyang District was more than 11 million yuan (see table 7.2). However, both Liugongwan Township and Wangyuting Town in Huaiyang District received only about 40,000 yuan to improve school conditions from the education transfer.<sup>24</sup>

<sup>23</sup> See "Two Fiscal Models of Funding for Funding Rural Basic Education" in chapter 3 and "Step Three: Grain Flow and Clearing Accounts" in chapter 4 for details.

<sup>24</sup> Interviews with the party secretary, the director, and several vice directors of Liugongwan Township, Huaiyang District, summer 2004. Interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, summer 2004.

**Table 7.2: Distribution of the Rural Tax-for-Fee Reform Transfers in Huaiyang District in 2002 (unit: 10,000 yuan)**

Total Tax-for-Fee Reform Transfers		1906
Minus Pig Slaughtering Tax Lost Amount		102
Minus Special Agricultural Product Tax Reduced Amount		79
Total Transfers To be Distributed		1725
1. Rural Education	(65%)	1121.25
2. Family Planning	(6.48%)	111.78
3. Military Allowance	(2.71%)	46.75
4. Rural Road Maintenance	(4.99%)	86.08
5. Militia Training	(1.53%)	26.39
6. Five-Guarantee Households	(12.54%)	216.31
7. Village Administration Fee Subsidy	(6.75%)	116.44

Source: Numbers taken from *Huaiyang Qu 2002 niandu nongcun shuifei gaige shangji zhuan yi zhifu fenpei biao* [Table on the distribution of the rural tax-for-fee reform transfers from higher-level governments in Huaiyang District in 2002] acquired during interviews with officials in the Finance Bureau of the district in summer 2004.

The road construction transfer also remained with the county rather than being distributed among different townships because the overall road construction transfer was several times smaller than what townships used to collect from peasants.<sup>25</sup> The central transfer for militia training went to the county's Department of Arms (*wuzhuang bu*), rather than to the townships/towns, because counties became responsible for militia training after rural districts were abolished in 1995.<sup>26</sup> The transfers for the stipends of rural five-guarantee households and the military allowance (*youfu fei*) did not go through the township's coffers. Rather, they were appropriated by the Bureau of Civil Affairs (*minzheng ju*) in a county to the Office of Civil Affairs

<sup>25</sup> Interview with an official in the Finance Bureau of Huaiyang District, Huaizhou City, August 2004. Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaiyang District, August 2004. Interview with the director of the Fiscal Office of Wangyuting Town, August 2004.

<sup>26</sup> See "Step Three: Grain Flow and Clearing Accounts" in chapter 4 for details.

(*minzheng suo*) in a township. The office then deposited the money into the bank accounts of people who were entitled to these benefits. Therefore, among the transfers, only the family planning transfer was appropriated to townships. In addition, townships took care of village subsidies on behalf of villages (*xiangguan cunyong*), meaning that the subsidy was first appropriated to a township, which was supposed to give the money to its villages. Townships, however, heavily indebted and severely under-funded, sometimes did not give the money to the villages.

In short, the rural tax-for-fee reform abolished all fees and funds collected from peasants but doubled the agricultural tax. In addition, the central government gave the local government tax-for-fee transfers to make up for the revenue loss. Small public works at the village level would be financed through “one issue, one discussion” (*yishi yiyi*). Most of the increased agricultural tax was to be appropriated to the township to make up for the revenue it lost when it no longer collected the five unified township fees. The 20% of the agricultural tax surcharge and 20% of the special agricultural product tax replaced the previous three village fees and became a village’s income. Most of the rural tax-for-fee reform transfers from the central government were allocated to the county so that it could pay teachers’ salaries.

### **Second Stage of the Rural Tax-for-Fee Reform (2004–2006)**

The first stage of the rural tax-for-fee reform was implemented for two years (2002–2003). Starting from 2004, the reform entered its second stage, which aimed at abolishing (*fei chu*) rather than reforming (*gai ge*) the agricultural tax. The abolishment of the agricultural tax was done in two steps. First, in 2004 in its No. 1 document, the central government lowered the agricultural tax rate and decided to gradually abolish the agricultural tax in five years. It provided three types of subsidies to peasants, including a direct grain subsidy (*liangshi zhibu*), a good seedling subsidy

(*liangzhong butie*), and a subsidy on large agricultural machinery (*daxing nongjiu butie*).<sup>27</sup> It abolished the special agricultural product tax except for the tobacco tax. It also selected two provinces (the provinces of Heilongjiang and Jilin) as test cases where the agricultural tax was to be abolished completely in 2004.<sup>28</sup> Responding to the No. 1 central document, 11 provinces, such as Hunan, lowered the agricultural tax rate by 3% in 2004. Eleven other provinces, such as Shanxi lowered the rate by 1%. Five provinces (Shanghai, Beijing, Tianjin, Zhejiang, and Fujian) completely or almost completely abolished the agricultural tax on their own.<sup>29</sup> Second, in early 2005, 26 provinces in all decided to abolish the agricultural tax completely.<sup>30</sup> In 2006, the agricultural tax was abolished nationwide, thus ending a tax that is said to have lasted in China for more than 2,600 years.<sup>31</sup>

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<sup>27</sup> In 2004, the direct grain subsidy was provided to peasants in 29 provinces and autonomous regions. The good seedling subsidy was provided to 13 main grain production provinces, and the large agricultural machinery subsidy was provided to cultivation regions directly administered by the central government (*zhongyang zhishu kenqu*) and to 66 grain-producing counties. See *Guanyu 04 nian yusuan zhixing qingkuang ji 05 nian yusuan cao an de baogao* [A report on the implementation of the 2004 budget and on the draft of the 2005 budget] made on March 5, 2005 by the Minister of Finance of the PRC.

<sup>28</sup> *Guanyu 04 nian yusuan zhixing qingkuang ji 05 nian yusuan cao an de baogao* [A report on the implementation of the 2004 budget and on the draft of the 2005 budget] made to the 3<sup>rd</sup> Annual Meeting of the 10<sup>th</sup> People's Congress on March 5, 2005. "Zhongyang caizheng zhinong lidu jiada. 18 ge shengfen mianzheng nongyeshui" [The central budget increases support for agriculture. 18 provinces abolish the agricultural tax], Jan. 14, 2005, <http://politics.people.com.cn/GB/1027/3121226.html> (accessed March 18, 2005).

<sup>29</sup> See "Zhongyang caizheng zhinong lidu jiada. 18 ge shengfen mianzheng nongyeshui" [The central budget increases support for agriculture. 18 provinces abolish the agricultural tax], Jan. 14, 2005.

<sup>30</sup> "26 shengqu mianzheng nongyeshui. 7.3 yi nongmin gaobie huangliang guoshui" [26 provinces and autonomous regions abolish the agricultural tax. 730 million peasants say goodbye to the imperial tax], Feb. 27, 2005, <http://politics.people.com.cn/GB/1026/3205443.html> (accessed March 18, 2005).

<sup>31</sup> "Jinrenqing: nongyeshui mingnian jiangcheng lishi, zhongyang caizheng nianbu qianyi" [Jinrenqing: Agricultural tax will become history next year: A 10 billion (yuan) subsidy (to the local government) annually from the central budget], Nov. 17<sup>th</sup>, 2005, <http://finance.people.com.cn/GB/1041/3863586.html> (accessed Dec. 19, 2006).

## Peasant Burdens after the Rural Tax-for-Fee Reform

### *Peasant Burdens in 2002 and 2003*

Did the rural tax-for-fee reform succeed in lowering peasant burdens, the number one priority of the policy? To answer this question, let us first look at the burden level in hilly townships/towns and then study the burden level in lake townships/towns, where peasants are still responsible for costly common production fees after the reform.

After the reform, the amount of the agricultural tax that a peasant needed to pay depended on the tax rate and the standard annual grain yield, both of which differed slightly in Hunan when the reform was implemented. Most towns collected the agricultural tax at 7%. Some rates were lower. For example, in Dongxingyuan Town, Yuanxiang County, Jianglu Prefecture, the rate was 6.98% and the annual grain yield was set at 816 kg per *mu*. In Huaiyang District of Huaizhou City, the tax rate was 7%, but there were three different levels for the standard annual yield: 740 kg, 760 kg, and 780 kg.<sup>32</sup>

After the reform, peasants in Dongxingyuan Town, a hilly town in northern Hunan need to hand in 58.10 yuan per *mu* of the agricultural tax {  $816 \times 6.98\% \times (51/50) = 58.10$  yuan } and 11.62 yuan per *mu* of the agricultural tax surcharge {  $816 \times 6.98\% \times (51/50) \times 20\% = 11.62$  yuan }. Combining the two, peasants in this town still needed to hand in 69.72 yuan per *mu*. For peasants in Liugongwan Township of Huaiyang District, the numbers were 54.26 yuan and 10.85 yuan respectively, for its

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<sup>32</sup> *Huaiyangqu 2004 nian nongyeshui renwu tiaozheng biao* [Table on the adjustment of the agricultural tax quota of Huaiyang District in 2004] made by the Bureau of Agricultural Tax of Huaiyang District in April 2004.

tax rate was altogether 8.4% and its annual grain yield was set at 760kg.<sup>33</sup> The burden for this township was 65.11 yuan per *mu*.

On top of the agricultural tax and its surcharge, some villages in Hunan collected “one issue, one discussion fee” in 2002 and 2003, which made the combined tax burden level more than 80 yuan per *mu*. For example, Zhutian Village in Dongxingyuan Town, Yuanxiang County collected 14 yuan of “one issue, one discussion” fee in 2002. This made the burden level in this village in 2002, the first year of the tax-for-fee reform, 83.92 (69.72 + 14=83.72) yuan per *mu*. This level was quite high compared to before the reform. In some years before the reform when the village did not have to pay back debts, it only collected a little more than 60 yuan per peasant.<sup>34</sup> In Cangyuan Town of the same county, peasants also had to pay more than 80 yuan per *mu* in 2002. On top of the agricultural tax, peasants in this town had to pay 12 yuan per *mu* of the reservoir water fee and 8 yuan per *mu* of the “one issue one discussion” fee (table A. 18).<sup>35</sup> Peasants in Changtang Town of the same county also still had to pay 81.5 yuan per *mu* in 2002.<sup>36</sup>

For peasants in hilly and mountainous areas, collecting more than 80 yuan per *mu* after the tax-for-fee reform meant that their burden level did not decrease much at all. In some mountainous places, their burden levels may have even increased. As explained in chapter 3, the burden level in hilly and mountainous areas already declined from about 150–160 yuan per *mu* during 1995–1998 to about 100 kilos of

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<sup>33</sup> Agricultural tax in Liugongwan Township in 2002 and 2003:  $760 \times 0.07 \times 1.02 = 54.26$ . Agricultural tax surcharge in Liugongwan Township in 2002 and 2003:  $760 \times 0.07 \times 1.02 \times 0.2 = 10.85$ .

<sup>34</sup> Interviews with peasants and village cadres in Zhutian Village, Dongxiangyuan Town, Yuanxiang County, Oct. 2002.

<sup>35</sup> Interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

<sup>36</sup> Interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

grain per *mu* during 1999–2001.<sup>37</sup> The burden level in hilly and mountainous areas before the reform was several times lighter than the level in lake areas, where peasants had to pay extraordinarily high common production fees.

Peasants in lake areas still had to pay about 150 yuan per *mu* after the rural tax-for-fee reform, due to high common production fees. Peasants in lake areas must strengthen levees, fight against flooding, and constantly drain their land, all of which are costly, and the cost is largely borne by the peasants themselves.<sup>38</sup> Thus, their burden level was almost twice as heavy as those in hilly and mountainous areas even after the tax-for-fee reform. Table 7.3 gave a general picture of the burden level in lake counties in Hunan during the first stage of the tax-for-fee reform. The numbers were based on peasant burdens in Fenglin District in 2002, which is a lake county in Huaizhou Prefecture.

**Table 7.3: Peasant Burden Per Mu in Lake Counties (2002–2003) (unit: yuan, mu)**

Common production fees per <i>mu</i>	44
Agricultural tax and surcharge per <i>mu</i>	65 *
One issue one discussion per <i>mu</i>	15
Two-labors during the phasing-out period per person	30
Total burden per <i>mu</i>	154

Source: Interview with the Director of the Economic Management Bureau of Fenglin District, June 2003.

\*  $760 \times 0.084 \times 1.02 = 65.12$

To sum up, the tax-for-fee reform did not decrease peasant burdens in hilly or mountainous areas by a noticeable amount. It indeed lowered peasant burdens in lake areas, which decreased from about 3 to 4 time in hilly and mountainous areas (300 or

<sup>37</sup> See “Variations of Peasant burdens in Different Topographies” in chapter 3 for details.

<sup>38</sup> See “Common Production Fee after the Rural Tax-for-Fee Reform” in this chapter and “Common Production Fee” and “Why Was the Local Water Bureaucracy So Large” in chapter 3 for details.

400 yuan per person) to about twice the level in those areas. However, peasant burdens in lake area remained very high after the reform.

No wonder then that peasants in many areas were disgruntled after the rural tax-for-fee reform (2002–2003), arguing that the government was being “foxy” and hypocritical in assigning a new name to old burdens. They also thought that the real intention of the reform was to make it harder for peasants to resist their burdens, because it was much more difficult to resist state taxes than fees from the local government. Asked in 2002 if the rural tax-for-fee reform had lowered his burdens and improved the situation in the countryside, one peasant answered, “In this place no matter what policy you implement, there is no change at all.”<sup>39</sup> The following comments demonstrated the peasants’ attitude toward the first stage of the rural tax-for-fee reform (2002–2003):

Q: Has the tax-for-fee reform lowered your burden?

A: It is about the same. Only the name has changed.—Peasants in Changtang Town, Oct. 2002

The burden was lowered by about more than 10 yuan (per *mu* or per person). This was not much. Water can still be squeezed out of the standard annual yield,<sup>40</sup> which is set at more than 830 kg. In reality a peasant can only harvest more than 600 or 700 kilos. Those who are good at tilling the land can harvest 700 kg. This year few (peasant households) in the village can harvest 700 kg.—Zhang Xiuyuan, a peasant leader in Changtang Town, Oct. 2002

Nowadays it is said that taxes are being lowered in the countryside. In reality they are not lowered at all. Many peasants have stopped tilling the land, because the burdens are too heavy and they are not willing to till the land anymore. Nowadays (after the tax-for-fee reform) we still need to pay more than 80 yuan per *mu*. Have our burdens been lowered at all? (The only difference is that) no fund (*ji zi*) is being collected from us. (They) dare not to collect fund anymore. —Peasants in Cangyuan Town, Oct. 2002

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<sup>39</sup> Group interview with peasants in Zhutian Village, Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>40</sup> This means that the figure of the standard annual grain yield is inflated.

Regarding peasant burdens, actually they are not lowered that much. They only changed the water, but not the medicine (*huantang bu huanyao*). Fees are now turned into taxes. The only thing that [the local government] has not done is to beat up people.---Peasants in Cangyuan Town, Oct. 2002

### ***Peasant Burdens in 2004 and 2005***

In 2004, the agricultural tax in Hunan was lowered by 3 percent. Thus the agricultural tax in Dongxingyuan Town became 33.13 yuan per *mu* {816 x 3.98% x (51/50)=33.13 yuan}. The agricultural tax surcharge became 6.63 yuan per *mu* {816 x 3.98% x (51/50) x 20%=6.63 yuan}. Combining the two, the agricultural tax was 39.76 per *mu*. Peasants also received 10 yuan per *mu* of the good seedling subsidy and 16 yuan per *mu* of the direct agricultural subsidy. Thus peasant burden in this town was lowered to 13.76 yuan per *mu* in 2004.<sup>41</sup> The agricultural tax for peasants in Liugongwan Township was lowered to 31 yuan per *mu* {760 x 4% x 1.02=31} and the agricultural tax surcharge was lowered to 6.2 yuan per *mu* {760 x 4% x 1.02 x 20%=6.2}. Deducting the two subsidies, peasant burden in Liugongwan Township in 2004 became 11.2 yuan per *mu*.<sup>42</sup> Thus year 2004 marked the first time in more than a decade that peasant burdens were indeed lowered. It was also the first time in history that Chinese peasants were getting subsidies. In 2005, Hunan completely abolished the agricultural tax and peasants continued to receive the two types of agricultural subsidies. The problem of overtaxing peasants that had plagued China's countryside since the early 1990s was now finally solved, for the most part.

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<sup>41</sup> Interviews with village and town cadres in Dongxingyuan Town, Yuanxiang County, Oct. 2002. Interviews with peasants and village cadres in Zhutian Village, Dongxiangyuan Town, Oct. 2002 and summer 2004.

<sup>42</sup> The amount of agricultural subsidies was the same in the entire province. Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaiyang District and with other cadres in the same bureau, August 2004.

## **Part II: Impact on the Local Government**

The rural tax-for-fee reform significantly reduced the income of all three levels of the local government and left all of them significantly more under-funded than before the reform. This was not only because the central tax-for-fee reform transfer and the increased agricultural tax were far smaller than what the local government used to collect from peasants, but also because the reform made it even harder to collect the agricultural tax from peasants. Losing a large sum of income meant that the local government had to borrow money and incur new debts just to pay civil servants and teachers and keep its door open. It also made it difficult for the local government to provide public goods, including roads, rural basic education, and irrigation in the countryside. Finally, the reform made it impossible to repay the large debts that villages, townships, and counties accumulated in the 1990s and beyond. It actually pushed the local government, particularly the county and the township, to borrow more.

### **Revenue Losses of the Local Government**

Hunan Province would have a shortage of 140 million to 150 million yuan as a result of the tax-for-fee reform. In 1998 the total taxes and fees collected from peasants in the entire province that were allowed by policies were 610 million yuan.<sup>43</sup> After the reform in 2002, the number became 260 million yuan. The difference was 350 million yuan. The tax-for-fee reform transfer from the central government to Hunan province would be between 170 million and 190 million yuan. The province itself could spend 100 million yuan at most on the reform. This meant that the local government in the entire province would lose between 140 million yuan to 150 million

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<sup>43</sup> The actual amount of taxes and fees that the local government collected from peasants was higher than this number, for it did not include money illegally collected from peasants.

yuan as a result of the reform.<sup>44</sup> On average, each of the 14 prefectures of the province would be short of at least 100 million yuan.<sup>45</sup>

### ***Revenue Loss for Counties and Townships***

Each county in Hunan lost tens of millions of yuan after the reform. For example, Fenglin District of Huaizhou City lost more than 40 million yuan. Before the reform, the district, which has about 477,000 *mu* of farmland and 640,000 peasants,<sup>46</sup> collected 90 million yuan in the three village fees, five unified township fees, and the education fund a year.<sup>47</sup> After the reform, the county lost all these income. The tax-for-fee reform transfer from the central government was 30.68 million yuan. The agricultural tax was increased by 13 million yuan and the agricultural tax surcharge was a little more than 5 million yuan. The total revenue loss for this district was more than 40 million yuan (9,000 -3,068 -1,300 -500 = 4,132).<sup>48</sup>

Huaiyang District, another district of Huaizhou City, had 297,553 peasants and 269,131 *mu* of farmland in 2002.<sup>49</sup> It lost more than 10 million yuan of revenue as a result of the reform. On average, the district collected 25.84 million yuan in taxes and

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<sup>44</sup> Interview with an official in the Rural Tax-for-Fee Reform Office in the Department of Finance of Hunan Province, March 2002.

<sup>45</sup> Hunan has 13 prefectures and one autonomous region, which is ranked the same as a prefecture.

<sup>46</sup> The numbers were provided by the director of the Economic Management Bureau of Fenglin District, Huaizhou City, June 2003.

<sup>47</sup> Interview with the director of the Budgeting Office of the Finance Bureau of Fenglin District, May 2003. Interviews with the director of the Office and with officials in the Section of Agricultural Taxes (*nongshui gu*) of the same bureau, June 2003. According to these officials, the composition of the 90 million yuan was as follows: 30 million yuan of the three village fees, 50 million yuan of the five unified township fees, and 10 million yuan of the education fund.

<sup>48</sup> Ibid. According to the director of the Economic Management Bureau of Fenglin District, the district and its townships/towns altogether lost 60 million yuan as a result of the reform, interview June 2003.

<sup>49</sup> Numbers taken from *Huaiyangqu nongcun shuifei gaige qianhou nongmin fudan qingkuang duibi biao* [A comparison of peasant burdens in Huaiyang District before and after the rural tax-for-fee reform], which was made by the Office of Rural Tax-for-Fee Reform of the Finance Bureau of the district in 2003. The author acquired the table during her fieldwork in summer 2004.

fees from peasants per year between 1995 and 2001 (table A. 26).<sup>50</sup> It also collected around 19 million yuan of the rural education surcharge and the education fund.<sup>51</sup> In addition, it lost 1,020,000 yuan of the pig slaughtering tax and its special agricultural product tax was reduced by 790,000 yuan (table 7.2). The district altogether lost 46.65 million yuan of income. It received 19.06 million yuan of the tax-for-fee reform transfers (table 7.2). Its agricultural tax also increased from 6,553,300 yuan before the reform to 17,549,700 yuan after the reform. The agricultural tax thus increased by 10,996,400 yuan.<sup>52</sup> Its revenue loss for 2002 due to the tax-for-fee reform was more than 16 million yuan ( $4,665 - 1,906 - 1,099.64 = 1,659.36$ ).

Each township/town in Hunan lost on average at least hundreds of thousands of yuan after the reform. Dongxingyuan Town, Yuanxiang County, for example, lost 1.2 million yuan and received only 465,000 yuan of the tax-for-fee reform transfers.<sup>53</sup> Before the reform, the townships made unlimited fiscal demands on peasants and a township government was financed almost exclusively by money and grain collected from peasants. Between 1995 and 2001, each township in Hunan collected an average of several million yuan from its peasants (table A. 26).<sup>54</sup> The tax-for-fee reform doubled the agricultural tax, but abolished the five unified township fees and the pig

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<sup>50</sup> This number is the average of the annual taxes and fees collected from peasants in the entire district in a seven-year period (1995-2001).

<sup>51</sup> Interview with the director of the Bureau of Education of Huaiyang District, August 2004.

<sup>52</sup> Note that this number includes both the increased agricultural tax and the agricultural tax surcharge. Interview with an official in the Finance Bureau of Huaiyang District, August 2004. The numbers on the increased agricultural tax are taken from *Huaiyang qu 2002 niandu nongcun shuifei gaige hou xinzeng nongyeshui fenpei biao* [Table on the distribution of the increased agricultural tax after the rural tax-for-fee reform in Huaiyang District in 2002], which was a table compiled by the Rural Tax-for-Fee Reform Office of the Finance Bureau of the district in 2002.

<sup>53</sup> Interview with the director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>54</sup> See “Variations of Peasant Burdens in Different Topographies” in chapter 3 for details.

slaughtering tax, lowered the special agricultural product tax, and forbade townships/towns to convert the “two labors” into cash payments to a township.<sup>55</sup> Townships also received central tax-for-fee reform transfers. The increased agricultural tax and the central transfers, however, were not enough to cover what a township/town used to collect from peasants, even if we only include the 5 unified township fees and exclude all other money that it collected from peasants.

The two examples below demonstrate approximately how much revenue a township/town in Hunan lost during the reform. The actual loss was much bigger.

Example 1: *Liugongwan* Township had 32,020 peasants and 25,133 *mu* of farmland in 2001 (table A. 7). The land size decreased to 23,423.1 *mu* in 2002 after it was readjusted. The standard annual yield was 760 kg per *mu*.<sup>56</sup> The agricultural tax increased from 667,940 kg (table A.7) to 1,246,109 kg or 1,271,031 yuan after the reform in 2002.<sup>57</sup> The township needed to collect this amount from peasants and hand in the full amount to the county’s Bureau of Finance. Eight-five percent of the agricultural tax was retained by the county so that it could pay salaries to its teachers and cadres. The other 15% was rebated to the township.<sup>58</sup> The township could only

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<sup>55</sup> Abolishing the pig slaughtering tax and reducing the special agricultural product tax lowered a township’s income somewhat because these two taxes were shared between counties and townships/towns before the reform. See section “Fiscal System at the Township Level” in chapter 2 for fiscal arrangements between counties and townships in Hunan.

<sup>56</sup> Numbers taken from *Huaiyang qu 2004 nian nongyeshui renwu tiaozheng biao* [Table on the adjustment of the agricultural tax quota of Huaiyang District in 2004] made by the Bureau of Agricultural Tax of the district in April 2004.

<sup>57</sup>  $760 \times 0.07 \times 1.02 \times 23,423.1 = 1,271,031$

<sup>58</sup> This piece of information and the percentage came from an interview with an official in the Finance Bureau of Huaiyang District in August 2004. It both contradicts and confirms the information that I gathered through interviews with township cadres in Huaizhou and Yuanxiang. On the one hand, township cadres informed me that most, if not all, of the increased agricultural tax was appropriated to the township, as it should according to the rules of the rural tax-for-fee reform. On the other hand, they also said that if they fulfilled the agricultural tax quota, they would receive a percentage of it as a rebate. I decided to use the number (15%), because it was plausible, given the fiscal plight of counties in Hunan. In other words, counties in Hunan may not have been able to rebate the full amount of the

collect 70% or 889,721.7 yuan from the peasants, who became increasingly unwilling to hand in any taxes or fees.<sup>59</sup> To fulfill the agricultural tax quota, the township needed to come up with 30% or 381,309 yuan of its own money. The township received 15% or 190,654 yuan of the agricultural tax rebate from the county. Thus, to fulfill the agricultural tax quota, the township incurred a loss of 190,655 yuan.

Before the reform, from 1997 to 2001, the township collected an average of 47.4 yuan per peasant, including 26.8 yuan for education, 5 yuan for family planning, 10 yuan for road construction, and 5.6 yuan for national security (table A.7). The township needed to hand in the education fee to the county, but it could retain the remaining 20.6 yuan.<sup>60</sup> Given that the collection rate in this township was around 70%, this gave the township about 464,064 yuan of the unified fees to use.<sup>61</sup> After the reform, the township received 119,200 yuan of transfers for family planning and about 40,000 yuan of the school renovation fee.<sup>62</sup>

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increased agricultural tax to townships because it had to find money to pay the salaries of its teachers and civil servants first.

<sup>59</sup> Interviews with officials in Liugongwan Township, 2001-2003, 2004 and 2005. Also see “The Collection Rate Plunged” in chapter 4 for details.

<sup>60</sup> Starting from around 2000, townships in Hunan were relieved of the burden to pay their teachers’ salaries. Thus, they needed to turn over most of the education surcharge to the county. See section “Two Fiscal Models for Funding Rural Basic Education” in chapter 3 and “Step Three: Grain Flow and Clearing Accounts” in chapter 4 for details. Unlike most other counties in Hunan, in Huaiyang District, the responsibility of paying for basic education was never transferred from the district to its townships. Interview with the director of the Bureau of Education of Huaiyang District, August 2004. Interviews with a teacher of the Rural United-School of Liugongwan Township, summer 2004. Interview with the president of the Rural United-School of Liugongwan Township, Jan. 2005.

<sup>61</sup>  $20.6 \times 0.7 \times 32,182 = 464,064$ . The average population size of the township from 1997 to 2001 was 32,182 (table A.7).

<sup>62</sup> The first number came from *Huaiyang qu 2002 niandu nongcun shuifei gaige shangji zhuan yi zhifu fenpei biao* [Table on the distribution of the rural tax-for-fee reform transfers in Huaiyang District in 2002], which was acquired from the Finance Bureau of the District during my fieldwork in summer 2004. The second number came from interviews with all major officials in Liugongwan Township, including its party secretary, its director, and several vice directors in summer 2004. See section “Rural Tax-for-Fee Reform Transfer and Its Distribution” in this chapter for how the other transfers were appropriated among different levels of the local government.

This meant that the township also lost 304,864 yuan (464,064-119,200-40,000=304,864) of fees as a result of the reform. Combined with the aforementioned agricultural tax loss, the total loss for this township was 495,519 yuan (190,655 + 304,864 = 495,519 yuan). This could only estimate the minimum loss of this township, for it did not include any other fees that the township collected from peasants before the reform.

Example 2: *Wangyuting* Town had 31,000 peasants<sup>63</sup> and 25,105 *mu* of farmland in 2002. The standard annual yield was set at 780 kg.<sup>64</sup> The agricultural tax in 2002 became 1,370,733 kg or 1,398,147.66 yuan. The town collected at most 80% of this amount from peasants in 2002.<sup>65</sup> The town, however, had to hand in 100% of the agricultural tax to the county. It had to come up with 20% of the agricultural tax, which was 279,629 yuan. It then received 15% of the agricultural tax rebate from the county, which was 209,722 yuan. Thus to fulfill the agricultural tax quota, the town lost at least 69,907 yuan. The less agricultural tax it could collect from peasants, the more it would lose.

In 2001, the town collected 38.5 yuan of the five unified fees from each peasant, among which 25 yuan was for education and 1.5 yuan was for militia training (table A. 16). The town needed to turn over these two kinds of fees to the county's Bureau of Finance. Thus, 12 yuan per peasant remained on the town's account. The town had about 31,000 peasants and it collected about 80% of these fees. That gave the town 297,600 yuan to use. After the reform, all these fees were abolished. As with

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<sup>63</sup> The population size of the town came from an interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, summer 2004.

<sup>64</sup> The land size and the standard annual yield numbers are both taken from *Huaiyang qu 2004 nian nongyeshui renwu tiaozheng biao* [Table on the adjustment of the agricultural tax quota of Huaiyang District in 2004] made by the Bureau of Agricultural Tax of the district in April 2004.

<sup>65</sup> The collection rate in this town ranged from 70% and 80%. Interviews with cadres in this town in late 2001 and with the director of its Fiscal Office in summer 2004.

Liugongwan Township, the town received 113,600 yuan of the family planning fee and around 40,000 yuan for school renovation.<sup>66</sup> Therefore, the town lost 144,000 yuan of fees in 2002 (297,600 -113,600 -40,000 = 144000). Adding the agricultural tax loss, this town lost at least 213,907 yuan during the tax-for-fee reform.<sup>67</sup>

### ***Revenue Loss for Villages***

The village governance (*cun zuzhi* or *cun jiti*) was completely funded by peasants through the three village fees before the tax-for-fee reform. The reform left the village governance severely under-funded by significantly reducing its income. It lowered the income of a typical village in hilly areas by at least a third and by more than half in lake areas. As explained in chapter 3, between 1995 and 2002, villages in Hunan typically collected between 15 yuan to 30 yuan per *mu* or per person of village fees (tables A. 28–31).<sup>68</sup> After the reform, the agricultural tax surcharge became the only income for villages.<sup>69</sup> It was only a little more than 10 or 11 yuan per *mu*.<sup>70</sup> A small village with less than 1,000 *mu* of land thus would have less than 10,000 yuan a

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<sup>66</sup> The first number (113,600) was provided by the director of the Fiscal Office of Wangyuting Town in summer 2004. The number could also be found in *Huaiyang qu 2002 niandu nongcun shuifei gaige shangji zhuan yi zhifu fenpei biao* [Table on the distribution of the rural tax-for-fee reform transfers in Huaiyang District in 2002], which was acquired from the Finance Bureau of the District during my fieldwork in summer 2004.

<sup>67</sup> According to the director of the Fiscal Office of this town, it lost 400,000 to 500,000 yuan as a result of the reform.

<sup>68</sup> See section “Village Fees” in chapter 3 for details.

<sup>69</sup> The special agricultural product tax surcharge was extremely small. It was only a few hundred yuan for each village. Thus, the number was not included. See ft. 11 in this chapter for an example.

<sup>70</sup> In several townships in Huaiyang District where the standard annual yield was set at 740 kg per *mu* and the agricultural tax rate was set at 7%, the agricultural tax surcharge was only 10.57 yuan per *mu*. In Huaxi County, Huaizhou Prefecture, the standard annual yield was set at 680 kg per *mu*. The agricultural tax surcharge in this county was only 9.71 yuan per *mu*. Interviews with cadres in the Rural Tax-for Fee Reform Office in the Finance Bureau of Huaizhou City, Oct. 2002 and June 2003.

year to spend. A medium-sized village<sup>71</sup> would only have a little more than 10,000 yuan a year to spend, whereas a village in lake areas would have between 20,000 yuan to 30,000 yuan a year.<sup>72</sup> A village in lake counties could collect between 50,000 yuan to 70,000 yuan a year before the reform. The income shrank to between 20,000 yuan to 30,000 yuan a year after the reform.<sup>73</sup> A medium-sized village in hilly and mountainous areas had an income of between 30,000 yuan to 40,000 yuan a year before the reform. After the reform, the income shrank by more than half to less than 15,000 yuan.<sup>74</sup>

At the county level, some counties collected tens of millions of yuan of the three village fees before the reform. After the reform, the number was reduced to several million yuan. At the provincial level, the total three village fees in the entire province was lowered by more than 500 million yuan after the reform, yet the total transfer for village subsidies from both the central and the provincial government was only a little above 300 million yuan. Villages in Hunan would be short of more than 100 million yuan.<sup>75</sup>

To make up for the shortage of village income, the provincial government in Hunan required local governments to spend about 12% of the increased agricultural

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<sup>71</sup> This means a village with more than 1,000 peasants, such as Hetang Village in Huaiyang District. See table A.16.

<sup>72</sup> A village in lake areas is usually much larger than in other places. For example, Yongbozhou Village, Qianjiaping Township, Huaiyang District has more than 3,000 *mu* of land (table A. 9). That was why the income of villages in lake areas was more than twice the amount in villages in hilly and mountainous areas after the rural tax-for-fee reform.

<sup>73</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>74</sup> Interview with the director of the Office of the Finance Bureau of Fenglin District, May 2003. Interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, summer 2004.

<sup>75</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

tax, which was about 50 million yuan to subsidize villages.<sup>76</sup> In Huaiyang District, for example, the agricultural tax increased from 6,553,300 yuan in 2001 to 14,624,750 yuan in 2002. The agricultural tax therefore increased by 8,071,450 yuan, among which 489,000 was to be spent on subsidizing village income.<sup>77</sup>

Each village from Hunan thus received subsidies which came from both the central rural tax-for-fee reform transfer and the increased agricultural tax. For example, to guarantee that each village had a minimum income of 19,000 yuan, each village in Huaiyang District, Huaizhou City received between 3,000 to 5,000 yuan from the tax-for-fee reform transfer and the increased agricultural tax.<sup>78</sup> In Fenglin District of the same city, each village also received 3,000 yuan from the central tax-for-fee reform transfer.<sup>79</sup> In addition, the district government came up with 120,000 yuan to subsidize villages in 2002. But the district has 24 townships/towns and 640,000 peasants.<sup>80</sup>

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<sup>76</sup> Ibid.

<sup>77</sup> Numbers taken from *Huaiyang qu 2002 niandu nongcun shuifei gaige hou xinzeng nongyeshui fenpei biao* [Table on the distribution of the increased agricultural tax after the rural tax-for-fee reform in Huaiyang District in 2002], which was a table compiled by the Rural Tax-for-Fee Reform Office of the Finance Bureau of the district in 2002.

<sup>78</sup> Interviews with the party secretary, the director, and several vice directors of Liugongwan Township, Huaiyang District, summer 2004. Interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, summer 2004. Interview with the vice director in charge of finance and commerce of Liugongwan Township, Jan. 2005. Note that the amount of village income subsidy in Huaiyang District should be higher than 3,000 or 5,000 yuan based on the numbers provided in the two tables (Table on the Distribution of the Increased Agricultural Tax and Table on the Distribution of the Central Rural Tax-for-Fee Reform Transfers). The central tax-for-fee reform transfer spent on subsidizing village income in this district was 1,164,400 yuan (table 7.2). The amount of the increased agricultural tax to be spent on subsidizing village income was 489,000 yuan. The total amount of money that could be spent on subsidizing village income should be 1,653,400 yuan. The district has 205 villages. Thus, on average each village should receive 8,065 yuan of subsidy. One explanation was that not all the money was spent on subsidizing villages because the district itself lost more than 16 million yuan of revenue due to the rural tax-for-fee reform.

<sup>79</sup> Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

<sup>80</sup> Numbers provided by the director of the Office of Budgeting of the Finance Bureau of Fenglin District, May 2003.

To have a concrete sense of the revenue loss of villages after the reform, let us look at the following two examples. The first village is a medium-sized one located in Huaiyang District, a lake county in northern Hunan. The second one is a small village located in Yuanxiang, a hilly county also in the north.

Case One: Hetang Village in Wangyuting Town, Huaiyang District had 13 teams, 1,910 peasants and 1,368 *mu* of farmland in 2001.<sup>81</sup> The standard annual grain yield of one *mu* was set at 780 kg in 2002.<sup>82</sup> Thus, the agricultural tax surcharge in 2002 was 11.14 yuan per *mu* {780 x 0.07 x 1.02 x 20%=11.14}. Village income in 2002 became 15,239.52 yuan {11.14 x 1,368 =15,239.52}. In 2001, one year before the tax-for-fee reform, the village collected 18.5 yuan of the three village fees per peasant (table A.16).<sup>83</sup> Village income in 2001 was 35,335 yuan {18.5 x 1,910 =35,335}. The village thus lost more than 20,000 yuan as a result of the tax-for-fee reform. In this town, on average a village collected between 20,000 yuan and 30,000 yuan a year before the reform. After the reform, for some villages the agricultural tax surcharge was only a few thousand yuan and for some others, it was only a little more than 10,000 yuan. Village income in this town was reduced by about a half or third.<sup>84</sup>

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<sup>81</sup> Numbers taken from *Hetang 2001 nian shangjiao fenpei biao* [Table on the distribution of taxes and fees (among teams) in Hetang Village in 2001], which was provided by the party secretary of Hetang Village, Huaiyang District during interviews, August 2001.

<sup>82</sup> Number taken from *Huaiyang qu 2004 nian nongyeshui renwu tiaozheng biao* [Table on the adjustment of the agricultural tax quota of Huaiyang District in 2004] made by the Bureau of Agricultural Tax of the district in April 2004.

<sup>83</sup> This included 10 yuan of the public welfare fund per person and 8.5 yuan of the village administration fee per person. See table A. 16.

<sup>84</sup> Interview with the director of the Fiscal Office of Wangyuting Town, Huaiyang District, August 2004.

Case Two: Village Jinhua in Dongxingyuan Town, Yuanxiang County had 11 teams, 929 peasants, and 808 *mu* of farmland in 2002.<sup>85</sup> After the tax-for-fee reform, the agricultural tax surcharge was 11.62 yuan per *mu* {816 x 0.07 x 1.02 x 20% = 11.62}. The annual income of the village was reduced to less than 10,000 yuan (11.62 x 808 = 9,388.96 yuan). Before the reform, the village income was about 12,000 to 13,000 yuan, or about 14.85 or 16 yuan per *mu*. Hence, the village lost a few thousand yuan as a result of the reform.<sup>86</sup>

### **The Collection Rate Continued to Drop after the Reform**

The rural tax-for-fee reform not only lowered the amount of taxes that the local government could collect from peasants, but it also made it harder to collect grain or money from them. As a result, the reform created great financial stress for the local government. As explained in chapter 4, it was hard to collect taxes and fees from peasants since 1998.<sup>87</sup> This problem of the plunging agricultural tax collection rate became particularly serious in 2004, the transitional year between the first stage of the tax-for-fee reform and abolishing the agricultural tax in 2005. In the words of a county cadre, “If it continues to collect either the agricultural tax or rear taxes and fees, peasants will tear down the township government.”<sup>88</sup>

It is hard to collect taxes and fees from peasants, because they are dispersed in the countryside and because many of them have migrated to cities. While the tax-for-

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<sup>85</sup> Numbers taken from the table entitled *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County] made by the town in June 2002.

<sup>86</sup> Interviews with the Party Secretary of Jinhua Village, a cadre from the Rural Credit Union, and several cadres from Dongxiangyuan Town, Oct. 2002.

<sup>87</sup> See “Part II: Things Fall Apart” in chapter 4 for details.

<sup>88</sup> Interview with a cadre from the Finance Bureau of Huaiyang District, August 2004.

fee reform indeed emphasized that peasants have the duty to turn in the agricultural tax to the state, two elements of the reform made it hard to collect the agricultural tax from peasants. First, the overall message of the reform was to lower peasant burdens. Second, the reform also put a temporary stop on the local government from collecting rear taxes and fees (*zanting shou weiqian*) from peasants.<sup>89</sup> The tax-for-fee reform therefore did not reverse the trend of a plunging collection rate. A plunging collection rate meant that village cadres were often not paid, sometimes for years. It also meant that a township in Hunan usually had to come up with money worth 20% to 30% of the agricultural tax to clear its accounts with the county.<sup>90</sup>

The rural tax-for-fee reform thus significantly reduced the income of all three levels of the local government, which has made it difficult for the local government to feed its bureaucracy and its teachers, to provide for public goods in the countryside, or to repay its huge amount of debt.

### **Impact on the Functioning (*yun zhuan*) of the Local Government**

“It has made it impossible for the local government to *yun zhuan* [maintain its organizational functioning]”—this is the first answer that one would get if one asked local cadres about the impact of the tax-for-fee reform on the local government. Specifically, the reform has made it hard for counties, townships, and villages to pay salaries to their cadres.

At the county level, the most obvious impact of the reform is that it has made it difficult to pay teachers’ salaries, which will be discussed in detail later in this chapter. Even without the tax-for-fee reform, ever since 1998, townships in Hunan have found

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<sup>89</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003. Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

<sup>90</sup> In many townships/towns, the collection rate of the agricultural tax ranged from 70% and 80%.

it hard to pay cadres their salaries. The reform has obviously exacerbated the fiscal difficulties of the township. Each township in Hunan employs at least more than 100 cadres. Other than the fully-funded administrative cadres, civil servants, and social affairs cadres treated as civil servants, each township employs tens or even hundreds of cadres in its agencies. These agencies are referred to as seven stations and eight offices in Hunan (*qi zhan ba suo*). Almost all these cadres are partially or completely funded by townships. They either receive zero budget appropriation from the county (such as cadres in the water management station) or a small amount of money from the county (cadres in the broadcasting station and forestry station, for example). Before the reform, township governments collected fees from peasants and paid these cadres their full salaries. Since the reform, most townships have stopped paying salaries to most of these cadres.

For example, Dongxingyuan Town in Yuanxiang County, decided only to keep three agencies after the tax-for-fee reform, including the family planning service office (*jisheng fuwu suo*), the fiscal office (*caizheng suo*), and the economic management station (*jingguan zhan*).<sup>91</sup> All three agencies provided essential services that a town government could not get rid of.<sup>92</sup> All other horizontal agencies were severed (*fen chuqu*) from the town government. Many of their cadres were hardly paid at all. Liugongwan Township, Huaiyang District continued to pay salaries to four of the five cadres of its forestry station (*lin ye zhan*), but did not pay any salary to the more than ten cadres employed by its agricultural technology station (*nong ji zhan*) or the 59

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<sup>91</sup> Interviews with the director of the Fiscal Office, the retired director of the Fiscal Office, and with the director of the Rural Tax-for-Fee Reform Office of Dongxingyuan Town, Oct. 2002.

<sup>92</sup> Every township must keep its family planning office, for family planning is a national policy that needs to be enforced. The fiscal office in a township is in charge of the finances of the entire township. The economic management station determines, documents, and assesses peasant burdens in a township.

cadres employed by its water management station.<sup>93</sup> To deal with the fiscal shortage, some townships/towns sold their public assets. For example, Yonghua Town, the most heavily indebted town of Huaiyang District, sold its nursing home to a business man who then turned it into an entertainment center. The town government also sold its conference room.<sup>94</sup>

The tax-for-fee reform hit the village governance the hardest among all three levels of the local government, not only because the reform reduced the level of village income, but also because the consequence of the plunging collection rate was shouldered mostly by villages, rather than by townships or counties. Villages had to clear their accounts with townships/towns and turn over the agricultural tax which they did not succeed in collecting from peasants. The phenomenon of “accounts cleared with above but not with below” was widespread in the countryside in Hunan in the 1990s and beyond.<sup>95</sup> Because villages could not collect the full amount of the agricultural tax from peasants, very often the agricultural tax surcharge was a village’s income only in theory, but not in reality. Thus, for many villages in Hunan, the only source of income after the tax-for-fee reform was village subsidies from the central tax-for-fee reform transfers and subsidies from the increased agricultural tax, which, as explained above, was little. Further, subsidies for a village were often used up by a township to fulfill the agricultural tax quota imposed on the village, rather than being given to the village.<sup>96</sup> The reform, therefore, made it almost impossible for villages to

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<sup>93</sup> Interviews with the director of the Water Management Station of Liugongwan Township and with the vice director in charge of finance and commerce of the township, summer 2004.

<sup>94</sup> Interviews with the party secretary, the director and a vice director of Liugongwan Township, summer 2004.

<sup>95</sup> See “Rural Public Finance Crumbled” and “Clearing Accounts with Above but not with Below” in chapter 4 for details.

<sup>96</sup> Interviews with village and township cadres in Huaizhou, Yuanxiang, and Zizhou, 2002-2003.

function (*yun zhuan*). Similar to the situation before the reform, the fiscal plight of the village was more severe than that of the township or the county. This was not surprising, given the severe downward fiscal pressure of the public finance system in China.

### **Impact on Provision of Public Goods in the Countryside**

The rural tax-for-fee reform, by creating a large revenue loss for all three levels of the local government, made it very hard to provide for public goods in the countryside. Rural basic education, rural roads, and irrigation are three types of public goods that the local government must provide, whether they have the money or not. Before the tax-for-fee reform, the local government in Hunan collected money and grain and relied on free labor services (*liang gong*) from peasants to provide for these public goods and feed the large rural water and education bureaucracy. After the reform, the money and grain flow from peasants were cut down significantly and the transfers from the central government were not large enough to cover the loss. This section will first discuss the impact of the tax-for-fee reform on rural basic education. It will then briefly discuss its impact on maintaining rural roads and then elaborate on the difficulties that the reform has created for irrigation or water management in the countryside.

#### ***Rural Basic Education Severely Under-funded***

The reform made it impossible for the local government to pay for rural basic education. As explained in Part I of the dissertation, before the reform, rural basic education was funded by three sources, namely tuition (10%), budget appropriation from the county government (40%), and fees collected from peasants (50%), including the rural education surcharge levied on peasants and students and the education fund,

dubbed the “4, 6, 8” or “6, 8, 0” fund in Hunan.<sup>97</sup> Roughly speaking, a typical county in Hunan had about 10,000 teachers and had to spend 100 million yuan on education a year in the 1990s. Around 50% or 50 million yuan came from the education surcharge and the education fund collected from peasants and rural students.

The reform abolished the surcharge and the fund. It also significantly lowered the level of tuition and miscellaneous fees of students. The central tax-for-fee reform transfers, however, were much less than what the local government used to collect from peasants and rural students. Even though 65% of the transfers were to be spent on rural basic education, the amount of the education transfer for a county was usually less than 20 million yuan. On average, each county was short of between 20 million and 40 million yuan for its education expense after the rural tax-for-fee reform.<sup>98</sup> Huaiyang District, Huaizhou City, for example, collected close to 19 million yuan of the rural education surcharge and the education fund before the reform. After the reform, the transfer from the central government allocated for education was a little more than 11 million yuan (table 7.2 ). The annual education revenue loss for this small district was more than 7 million yuan.<sup>99</sup> Fenglin District of the same city collected more than 40 million yuan of the education surcharge and the education fund before the reform. After the reform, the education transfer was less than 20 million yuan ( $0.65 \times 3,068 = 94.2$ ).<sup>100</sup> The education revenue loss for this relatively large

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<sup>97</sup> See “Education Surcharge and Education Fund,” and “Two Fiscal Models for Funding Rural Basic Education” in chapter 3 for details.

<sup>98</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

<sup>99</sup> Interview with the director of the Bureau of Education of Huaiyang District, August 2004. Huaiyang district is small in the sense that it only has around 300,000 peasants, 11 townships/towns and 205 villages. All of these numbers are significantly below the average of the province.

<sup>100</sup> Interview with the director of the Budgeting Office of the Finance Bureau of Fenglin District, May 2003. Interviews with the director of the Office and with officials in the Section of Agricultural Taxes (*nongshui gu*) of the same bureau, June 2003. According to these officials, the district collected altogether 80 million yuan of the three village fees and five unified township fees. This meant that the

district was more than 20 million yuan.<sup>101</sup> For many counties, such as Yuanxiang, the entire tax-for-fee reform transfer from the central government was not enough to cover the education revenue loss.<sup>102</sup>

This severe shortage of money meant that counties in Hunan had to borrow money just to pay basic salaries to their teachers. Benefits, such as health insurance, unemployment insurance, policy fees, and social security insurance had to be cut. For example, in 2005, the Bureau of Education of Huaiyang District, which had close to 6,000 teachers and staff and 70,000 students, including high school students, had to borrow 11 million yuan from banks just to pay its teachers their basic salaries.<sup>103</sup> The teachers had no health insurance, for the bureau was short of 3.3 million yuan to insure them. Neither could the bureau or rural united schools buy their teachers unemployment insurance. Further, the bureau and rural united-schools in the district owed their teachers bonuses and policy fees and owed the New China Bookstore money.<sup>104</sup>

The reform also severely cut the amount of money that rural schools could spent on public expenses. After the reform, every rural school could only retain 15 or 20 yuan per student each semester from tuition and miscellaneous fees paid by

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rural education surcharge for this district was 32 million yuan  $\{80 \times [2/5]=32\}$ . Combined with the 10 million yuan of the education fund, the total rural education surcharge and education fund in this district was 42 million yuan.

<sup>101</sup> This district has 850,000 people, of whom 640,000 are peasants. It is the second largest county in Huaizhou City, which administers two urban districts and four counties. An urban district (*qu*) has the same administrative ranking as a county. The numbers on Fenglin District came from interviews with officials in the Finance Bureau and the Economic Management Bureau of the district in early summer of 2003. The numbers on the size of other counties in Huaizhou Prefecture can be found in *Hunan sheng ditu ce* [Atlas of Hunan Province] (Changsha: Hunan ditu chubanshe, 2000), 74-79.

<sup>102</sup> Interview with the retired director of the Fiscal Office of Dongxingyuan Town, Oct. 2002.

<sup>103</sup> Interview with the president of the Rural United-School of Liugongwan Township, Jan. 2005 and interview with the director of the Bureau of Education of Huaiyang District, August 2004.

<sup>104</sup> Interview with a cadre in the Finance Bureau of Huaiyang District, August 2004.

students. There was no longer any other money. In 2004, a large village school in Hunan had only 70-80 students and a small one only had 30-40 students. This left a small village school no more than 800 yuan a year and a large one no more than 1,600 yuan a semester to spend on all things other than teachers' basic salaries. Some could not even afford to buy brooms or dust bins.<sup>105</sup>

In addition, the reform posed two tough questions for the local government, including how to pay back the “two-basics” debts and how to finance construction of basic infrastructure in education, such as renovating dilapidated schools. Each township in Hunan borrowed several million yuan to reach the two-basic standards in education in the 1990s.<sup>106</sup> Before the reform, townships in Hunan relied on grain and money collected from peasants to shrink the size of the two-basic debt. However, when the tax-for-fee reform started in 2002, each township still had a few million yuan of the two-basic debt. For example, the two-basic debt in Liugongwan Township shrank from more than 4 million in the 1990s to more than 2 million in 2004.<sup>107</sup> Each township in Hunan had to spend hundreds of thousands of yuan each year just to pay the interest incurred on the two-basic debts. For example, the amount of the two-basic debt in Dongxingyuan Town of Yuanxiang County by the end of 2000 was 2,471,708 yuan. The annual interest rate for the debt was 8.91%, so the town paid 220,230 yuan in 2000 in interest.<sup>108</sup> How to relieve the two-basic debts of townships after the tax-for-fee reform would become a pressing question. Similarly, how to build education

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<sup>105</sup> Interview with the president of the Rural United-School of Liugongwan Township, Jan. 2005.

<sup>106</sup> See “Weaknesss of the Local Government and Unfunded Central Mandates” in chapter 2 and “Reaching the Two Basic Standards” in chapter 3 for details.

<sup>107</sup> Interview with a teacher from the Rural United-School of Liugongwan Township, summer 2004 and interview with the president of the Rural United-School and other officials in the township, Jan. 2005.

<sup>108</sup> Numbers taken from *Dongxingyuan zhen 2000 niandu tongchou daishou fenxiang shouzhǐ hesuan* [An itemized income and expenditure table of Dongxingyuan Town on unified town fees and fees collected on behalf of agencies in 2000]. The town government made the table on May 25, 2001.

basic infrastructure in townships and villages would also become a problem, as both counties and townships lost a huge sum of money due to the tax-for-fee reform.

The following example illustrates the difficulties of rural basic education after the tax-for-fee reform from the perspective of a Rural United-School (*xiang lianxiao*). The problem at the county level was worse, since counties had to pay teachers' salaries, whereas townships had already been relieved of this costly responsibility.

The Rural United-School of Liugongwan Township of Huaiyang District had more than 300 hundred teachers, a few dozen retired teachers and more than 5,000 students. Before the rural tax-for-fee reform, tuition and miscellaneous fees for a primary student in this township were as high as 400 to 600 yuan a semester. After the reform, it was lowered to a little more than 100 yuan a semester. Further, before the reform, the rural united school collected 40 yuan per semester of the dilapidated school renovation fee from each student. This gave the rural united-school more than 400,000 yuan a year to buy health insurance and to pay policy fees for its teachers, to renovate schools, to organize teaching competitions, sports games, cultural activities among teachers, and to subsidize the village schools' public expenses. After the reform, the rural united-school lost this income. As a result, in 2004, no teacher in this township had health insurance, because it cost more than 190,000 yuan to insure them. In the summer of 2004, only two years after the rural tax-for-fee reform started, the rural united-school owed the New China Bookstore hundreds of thousands of yuan.<sup>109</sup> The reform also made it impossible to pay back some of the more than 4 million yuan

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<sup>109</sup> The bookstore therefore now demands that the Rural United-School collect tuition from students first and pay the bookstore in cash for the textbooks. Previously, it was willing to loan the Rural United-School textbooks first and then receive cash for the books after the Rural United-School collected tuition from students.

of debt that the township incurred during the drive to reach the two basic education standards in the early 1990s.<sup>110</sup>

To sum up, while the tax-for-fee reform lowered peasant burdens, it left rural basic education severely under-funded. This further increased the fiscal crisis of the local government, particularly the county government, because it had to borrow money to keep the local education apparatus functioning. It also deprived the local government of the money to relieve the two-basic debt and to provide for education public goods, such as renovating dilapidated schools. Severely short of money, it was clear that rural basic education would face a tough uphill battle, if the transfers from the central government did not increase in the future. The following comment from a county cadre described vividly the plight of rural basic education after the tax-for-fee reform: “[We] have not turned in some fees. [We] have not paid [teachers benefits, bonuses, or policy fees]. [We] have cut essential education expenses. In a few years we may not be able to hold the ground anymore.”<sup>111</sup>

### ***Rural Road Maintenance***

Between 1995 and 2001, townships in Hunan usually collected a few yuan (no more than 3) per person or per *mu* of the rural road maintenance fee (tables A.16–19, A. 22, & A. 24). However, between 1995 and 1998, when peasant burdens were very heavy, some townships could collect as much as 20 or 30 yuan per person of the rural road maintenance fee (tables A.7-8 & A.14). In general, between 1995 and 2001, each county in Hunan on average collected more than a million yuan or several million

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<sup>110</sup> Interview with a teacher of the Rural United-School of Liugongwan Township, July 2004 and interviews with the president of the Rural United-School of the township and with several other officials in the township, Jan. 2005. By the time of the reform, the debt level was 2 million yuan, rather than 4 million.

<sup>111</sup> Interview with a cadre of the Finance Bureau of Huaiyang District, August 2004.

yuan of the rural road maintenance fee. Furthermore, when counties or townships needed to build a new road, they often collected dozens of yuan of the new road construction fund from each peasant (*daolu jizi*), which often led to peasant protests.<sup>112</sup>

The tax-for-fee reform abolished the rural road maintenance fee. The rural road maintenance transfer for a county, however, was rather small. For example, the road transfer for the entire Huaiyang District was only a little more than 860,000 yuan (table 7.2). Because the transfer was so small, it was retained by the county, rather than being appropriated to each township. The reform also forbade the local government to collect new road construction funds from peasants. If such a fund had to be collected from peasants, the provincial government had to prove it.<sup>113</sup> Furthermore, after the two free labor services were gradually phased out in three years, the local government could no longer demand free compulsory labor service (*yiwu gong*) from peasants to build a road.

How can townships and village maintain rural roads then, when they can no longer collect money or demand free labor service from peasants and when the central road transfer is small? The answer is the “one issue one discussion” fee (*yishi yiyi*). If a village needs to build or fix a road and does not have the money, it can collect the “one issue one discussion” fee from its peasants, provided that the majority (2/3 or 80%) of the peasants or the peasants’ representatives agree to the collection of this fee. The problem with this solution is that if a few peasants or even one single peasant is strongly opposed to the fee, then it cannot be collected. In the words of local cadres, financing village public goods solely through the one issue one discussion fee requires

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<sup>112</sup> For an example, see “How It Started” under “Second Round: Peasant Radicalism in Central Hunan” in chapter 6.

<sup>113</sup> Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

a highly “enlightened” peasantry (*juewu xiangdang gao*), which the Chinese peasants are not.

### ***Rural Water Management***

Roads that are bad or muddy can still be walked on. Irrigation and water management, however, is a different matter. Without adequate financing, levees may collapse, farmland may be flooded or dry up, irrigation projects, such as reservoirs, ditches, dams, water conduits, and culverts can deteriorate rapidly in a year or two. The rural tax-for-fee reform has a grave impact on all major components of the local water management system, including strengthening levees, draining and irrigating land, fighting against flooding, and constructing small irrigation projects in an area protected by levees.<sup>114</sup> This is because the reform drastically lowered the common production fee and gradually phased out the two labors. This impact is felt most severely in lake areas in Hunan, whose peasants, unlike those in the other two topographies, have to strengthen levees and fight against flooding every year and drain their farmland almost every day.

The common production fee, as explained in chapter 3, is an umbrella concept that covers several types of fees related to water management in rural China. The elaborate water management system in rural China and the vast rural water bureaucracy were financed completely through collecting high common production fees from peasants in the 1990s. Peasants in lake areas in northern Hunan need to pay all three types of the common production fees, including the river bank protection fee or the levee fee, drainage electricity fee or the electricity fee, and the reservoir water fee.<sup>115</sup> Peasants in hilly areas in Hunan usually need to pay only the reservoir water

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<sup>114</sup> See “Common Production Fee” in chapter 3 for details on the local water management system.

<sup>115</sup> They also need to pay money and spend months fighting against flooding. See “Flood-Fighting Fee” in chapter 3 for details.

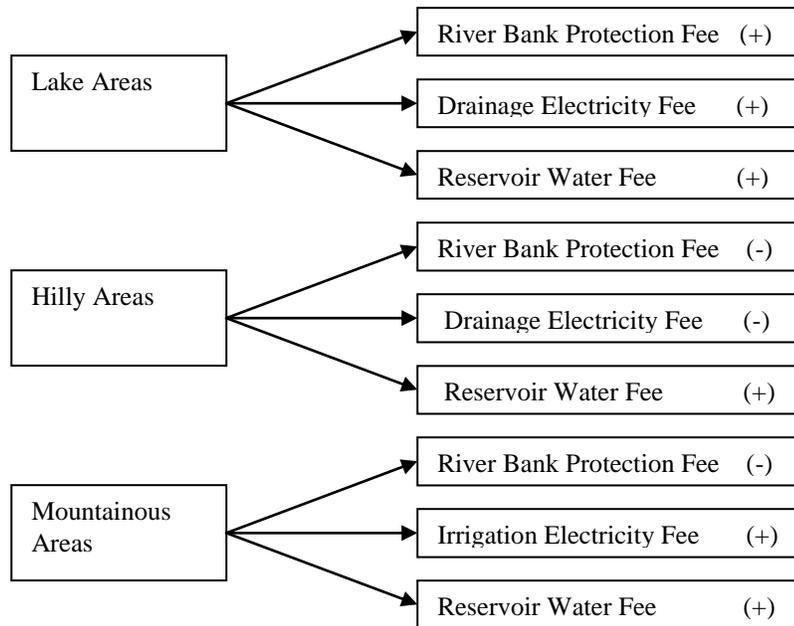
fee. Those in mountainous areas where water has to be elevated through electric pumps need to pay both the reservoir water fee and the irrigation electricity fee (see figure 7.2). In addition to fees, in the 1990s and beyond, peasants in lake areas also had to contribute two types of free labor services to fight against flooding and to strengthen levees, which could amount to months of unpaid labor services to the local government. Though forbidden, these two labors were often converted to cash payment that peasants owed to the local government. The common production fee may vary from a little more than 10 yuan a *mu* in hilly areas to more than 100 yuan per *mu* in lake areas. Extraordinarily high common production fees in lake areas in Hunan explained why peasants there abandoned far more farmland than elsewhere in the 1990s.<sup>116</sup> Before the tax-for-fee reform, peasants were subject to random and multiple collections of the common production fee.

***Common production fee after the rural tax-for-fee reform.*** The common production fee was the only fee that was not abolished during the second stage of the tax-for-fee reform. Instead, funding for the local water management system followed the principle of “whoever benefits, pays” (*shei shouyi, shei fudan*), which was another way to say that peasants should pay.<sup>117</sup> In 2005, when even the agricultural tax itself was abolished, peasants still had to pay the common production fee because the fee was considered an agricultural input, just like pesticides and fertilizers that peasants needed to pay themselves.

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<sup>116</sup> For details on the local water management system and types of common production fees, see “Why was the Local Water Bureaucracy So Large” and “Financing the Water Management System in Rural China” in chapter 3.

<sup>117</sup> Interviews with irrigation and finance cadres in counties and townships in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2002-2003, summer 2004, and Jan. 2005.



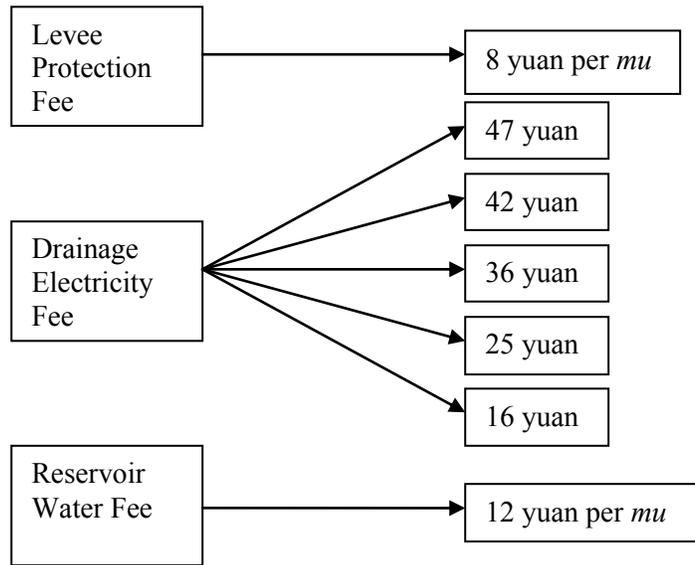
**Figure 7.2: Types of Common Production Fees for Three Different Topographies in Hunan**

The reform, however, did regulate this fee. It standardized the types of common production fees, lowered the amount, and set a ceiling on the amount of common production fees that townships could collect from peasants. In Huaizhou City, for example, the drainage electricity fee could not exceed 50 yuan per *mu*.<sup>118</sup> In Fenglin District of the city, the maximum amount of the drainage electricity fee was 36 yuan per *mu*.<sup>119</sup> In Huaiyang District of the city, there were five different levels of the drainage electricity fee, ranging from 47 yuan per *mu* to 16 yuan per *mu*, depending on the altitude of the farmland (see figure 7.3). In addition, in this prefecture, peasants needed to pay 8 yuan per *mu* of the river bank protection fee and

<sup>118</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>119</sup> Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

the reservoir water fee, which ranged from 12 yuan to 15 yuan per *mu*.<sup>120</sup> The 8 yuan of the river bank protection fee was abolished by the province in 2004.<sup>121</sup> The other two types of common production fees, however, have remained until this day.



Source: Numbers taken from *Huaizhoushi Huaiyangqu nongcun shuifei gaige lingdao xiaozu bangongshi guanyu queding quanqu nongye shengchan gongtongfei xiangmu biao zhun de tongzhi* [Notification from the office of the rural tax-for-fee reform leading group of Huaiyang District of Huaizhou City on stipulating the types and standards of agricultural common production fees in the entire district]. The document was issued in June 2003. I acquired the document during my fieldwork trip to the district in summer 2004.

**Figure 7.3: Common Production Fees in Huaiyang District of Huaizhou City Before and After the Rural Tax-for-Fee Reform, 2003**

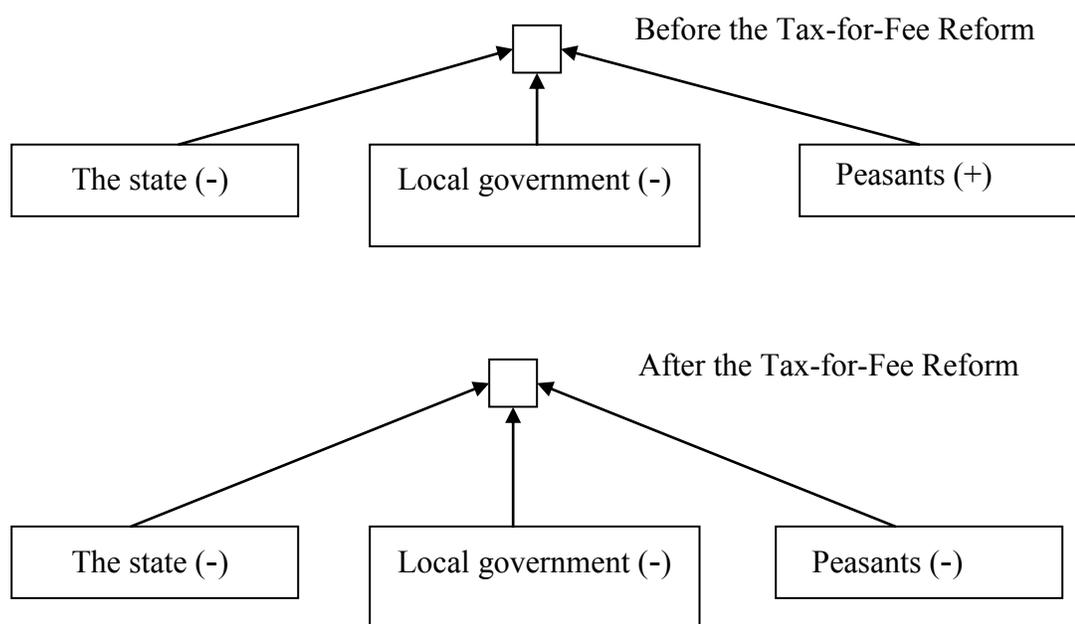
The tax-for-fee reform also decided to gradually phase out the two-labors in three years and forbade the local government to turn these two labors into cash payments. The two free labors, as explained in chapter 3, was a major source of income for townships and counties. Starting from 2005, the local government could no

<sup>120</sup> Interviews with cadres in the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaizhou City, June 2003.

<sup>121</sup> The provincial government of Hunan required that lake counties abolish this fee in March 2004. Counties and township in Huaizhou still collected this fee in 2004. Interviews with finance and irrigation officials and township cadres in Huaiyang District and Fenglin District, summer 2004.

longer demand any free labor services from peasants, except when there was a need to fight against an unusually large flood or drought (*deta fanghong kanghan*) or deal with emergencies (*qiang xian*). Even this had to be approved by the government above the county level.<sup>122</sup>

How did the rural tax-for-fee reform affect water management in rural China, particularly in lake areas, such as northern Hunan? The impact can be seen through comparing funding of the local water management system before and after the reform (see figure 7.4).



**Figure 7.4: Financing the Local Water Management System Before and After the Rural Tax-for-Fee Reform**

First, through lowering common production fees, abolishing certain common production fees, gradually phasing out the two labors, and strictly regulating the

<sup>122</sup> The Office of the Rural Tax-for-Fee Reform Working Group of the State Council, *Nongcun shuifei gaige zhishi wenda* [Questions and answers about the rural tax-for-fee Reform] (Beijing: Dangjian duwu chubanshe, 2002), 28.

collection of this fee, the money or grain collected from peasants by water management stations and drainage and irrigation stations at both the township (*xiangji dianpai*) and county levels (*xianji dianpai*) was significantly reduced. For example, Fenglaipu Town of Fenglin District used to collect more than 40 yuan per *mu* of the common production fees. After the reform, it was reduced to 24 yuan per *mu*.<sup>123</sup> In lake areas, such as Huaizhou Prefecture, before the reform, the drainage electricity fee alone could easily reach more than 100 yuan per *mu*. After the reform, it was capped at 50 yuan per *mu*. In March 2004, Hunan Province decided to abolish the 8 yuan per *mu* of the river bank protection fee. Each lake county in Hunan would lose several million yuan of this fee, which would make it hard for those counties to strengthen levees or drain farmland.<sup>124</sup>

Second, even though the amount of the common production fee was reduced and much more regulated than before, it was still very hard to collect the fee from peasants, who considered it unreasonable for the local government to continue to collect these fees from them after the reform. As explained in chapter 4, peasants started to default en masse on their taxes and fees due to the local government in 1998.<sup>125</sup> The tax-for-fee reform, because it emphasized lowering peasant burdens, made it even harder to collect any grain or money from the vast number of peasants scattered in the countryside. A town cadre explained the peasants' resentment against the common production fee: "After the tax-for-fee reform, the township government is still required to collect these fees [on behalf of water management stations]. These

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<sup>123</sup> Interviews with officials of the Irrigation Bureau of Fenglin District and with irrigation cadres in Fenglaipu Town and Hongtuhu Township of the district, July 2004.

<sup>124</sup> Interviews with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaiyang District and with the director of the Irrigation Bureau of the district, summer 2004.

<sup>125</sup> See "Part II: Things Fall Apart" in chapter 4 for details.

fees are considered production costs (*shengchan chengben*), but peasants cannot accept this.”<sup>126</sup>

When local cadres tried to collect the common production fee from peasants, peasants retorted, “How come your fee is bigger (*da*) than the state’s tax?!”<sup>127</sup> As a result, the collection rate of the common production fee was rather low. In Huaiyang District, Huaizhou City, for example, it ranged from 60% to 70% in some townships/towns to 20% to 30% in others. The best townships could collect more than 90%, whereas the worst ones could not even collect 20%.<sup>128</sup> Liugongwan Township of this district was supposed to collect more than 200,000 yuan of the common production fee in 2004. It could only collect about 60,000 yuan. The collection rate was only 20% to 30%.<sup>129</sup> Wangyuting Reservoir, which was located in Wangyuting Town of the same district should collect around 200,000 yuan of the water fee. In 2004, it only collected 60,000 yuan.<sup>130</sup> Dajiangkou Drainage and Irrigation Station, a medium-sized station of Fenglin District, Huaizhou City, should collect more than 260,000 yuan of the drainage and irrigation electricity fee in 2004, but it only collected between 110,000 and 150,000 yuan.<sup>131</sup> The collection rate in Fenglaipu Town of Fenglin District was only around 33% in 2004. It should collect more than

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<sup>126</sup> Interviews with cadres in Dongxingyuan Town, Oct. 2002.

<sup>127</sup> Interview with the director of the Irrigation Bureau of Huaiyang District, summer 2004. In the local dialect, “*da*” (big) means being important. The original sentence in *pinyin* is: “*Jiaomo* [dialect, meaning “how come” in English or “*nan dao*” in Mandarin] *nide fei bi guojia de shui hai da?!*” This occurred in 2004, when the agricultural tax was lowered by 3 percent (from 7% to 4%) in Hunan.

<sup>128</sup> Interview with the director of the Irrigation Bureau of Huaiyang District, summer 2004.

<sup>129</sup> Interviews with the director of the Water Management Station of Liugongwan Township and with the vice director in charge of finance and commerce of the township, summer 2004.

<sup>130</sup> Interview with the director of the Fiscal Office of Wangyuting Town, summer 2004.

<sup>131</sup> Fieldtrips to core levees, water management stations, drainage and irrigation stations in townships/towns in Fenglin District with officials from the Irrigation Bureau of the district and interviews with staff employed by Dajiangkou Drainage and Irrigation Station, summer 2004.

600,000 yuan, yet it only collected a little more than 200,000 yuan in 2004. One third of the peasants in this town did not turn in their common production fees. Another one third substituted their labor for the fee, meaning they refused to pay the fee because they had already provided the two-labor services (*liang gong*).<sup>132</sup>

Finally, the common production fees collected from peasants were often used by villages and townships/towns to fulfill their agricultural tax quota, rather than being turned over to water management stations. For example, in Fenglin District of Huaizhou City, more than 40% of the common production fees were used up by townships.<sup>133</sup> In many townships/towns in Hunan, such as those in Fenglin District and Dongxingyuan Town in Yuanxiang County, the water management stations did not collect the common production fees directly from peasants. Instead, the township/town government collected the fees on behalf of those stations. Villages must clear their accounts with townships and townships must clear their accounts with counties and the agricultural tax was the most important and the largest of the four kinds of fiscal tax quotas received by a township.<sup>134</sup> Because the collection rate of the agricultural tax itself was at best 70-80%, it was not surprising that many villages and townships used the common production fee that they collected to fulfill the agricultural tax quota.

***Consequences of lack of funding.*** Without adequate financing from either the state, the local government or the peasants, the large local water bureaucracy was not

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<sup>132</sup> Interviews with officials of the Irrigation Bureau of Fenglin District and with irrigation cadres in Fenglaipu Town and Hongtuhu Township of the district, July 2004.

<sup>133</sup> Percentage taken from *Huaizhou shi Fenglin qu shuili xitong duiwu jianshe qingkuang diaoyan baogao* [A fieldwork report on the situation of cadres and staff of the water management system of Fenglin District, Huaizhou City] written by the Irrigation Bureau of the district in 2003.

<sup>134</sup> See “Fiscal System at the Township Level” in chapter 2 and “Step Three: Grain Flow and Clearing Accounts” in chapter 4 for details.

paid, electric pumps deteriorated, and water management stations had to pile new debts upon old ones to survive. The local water bureaucracy was huge. Each water management agency employed dozens of people. A county usually hired more than 1,000 local water cadres, all of whom were completely self-funded.<sup>135</sup> The water management station was the largest and also the most indebted and the most financially strained of all agencies in a township. After 1998, particularly after the tax-for-fee reform, many local water cadres were either not paid at all or paid only around 1,000 yuan a year. Thus, local water cadres joined laid-off workers, pensioners, and peasants in petitioning higher authorities (*shang fang*) regarding their wages, pensions, and health insurance.<sup>136</sup> Water management stations also had IOUs to electricity bureaus because they had to run electric pumps and drain farmland even when they could not collect enough money from peasants. Each water management station in a lake township had a large amount of debt. For example, in Fenglin District, on average, each water management station in its 13 lake townships/towns owed a few million yuan in 2003. The most heavily indebted station owed 2.6 million yuan and the least indebted one owed more than 1 million yuan.<sup>137</sup> After the tax-for-fee reform, the local government would have little money to strengthen levees. In addition, small

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<sup>135</sup> See “Bureaucratic Skeleton” in chapter 2 and “Common Production Fee” and “Why was the Local Water Bureaucracy So Large” in chapter 3 for details.

<sup>136</sup> For example, each of the 74 cadres in Wangyuting reservoir of Huaiyang District was only paid 300 yuan by July 2004 (interview with the head of the reservoir and other employees, summer 2004). In 2003, each of the 50 cadres in the Water Management Station of Fenglaipu Town, Fenglin District was only paid 1,000 yuan in 2003 (interviews with the director of the Water Management Station of Fenglaipu Town and of Hongtuhu Township, Fenglin District, summer 2004). In Bailuchong Town, Huaiyang District, each cadre was paid only 1,700 yuan in 2003 (interview with the director of the Irrigation Bureau of Huaiyang District, Jan. 2005). In the worst case, many water cadres did not receive a penny for three or four years (interviews with cadres of the Irrigation Bureau of Fenglin District, summer 2004).

<sup>137</sup> *Huaizhou shi Fenglin qu shuiliju guanyu guanche shishi zhonghua renmin gongheguo shuifa de qingkuang huibao* [A report on how the Irrigation Bureau of Fenglin District of Huaizhou City has implemented the Water Law of the People’s Republic of China], August 28, 2003.

irrigation projects in the countryside, just like village roads, were completely dependent on “one issue one discussion,” a type of village-level financing that was highly uncertain.

The fundamental problem with the local water management system is that the cost, including the real need to provide the service and the need to feed the large local water bureaucracy, is too high. Despite the reform, peasants still have to shoulder this cost, which leads to two consequences. First, peasant burdens in low-lying lake areas remain heavy, even after the agricultural tax was completely abolished in 2005 in Hunan. Second, once the local government cannot collect enough common production fees from peasants, the local water management system suffers.

The cost of draining one *mu* of land in low-lying lake areas can easily reach 100 yuan per *mu*. Fenglin District, for example, capped the drainage electricity fee at 36 yuan per *mu* in 2003. In reality, the actual cost of draining the land in the most low-lying areas of the district reached 93.7 yuan per *mu*.<sup>138</sup> To understand why peasant burdens in lake areas still remain high after the tax-for-fee reform due to high common production fees, let us look at the example of Yongbozhou Village located in Qianjiaping Township of Huaiyang District. In 2001, one year before the tax-for-fee reform, villagers paid 72.22 yuan per *mu* (153.45 yuan per person) of the common production fees, including 61.20 yuan per *mu* of the drainage electricity fee and 11.02 yuan per *mu* of the levee fee. In 2004, each village still paid 83.91 yuan per *mu* (181.58 yuan per person) of the common production fees, including 52.96 yuan per *mu* of the drainage electricity fee and 30.95 yuan per *mu* of the levee fees (see table 7.4). In comparison, the agricultural tax and its surcharge in 2004 were only 31.2 yuan per *mu* (table A.10). Since peasants also received 26 yuan of the direct agricultural

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<sup>138</sup> Interview with the director of the Economic Management Bureau of Fenglin District, June 2003.

subsidy that year, this reduced the agricultural tax and its surcharge to only 5.2 yuan that year. Peasant burdens in this village, though lowered quite a bit since the tax-for-fee reform, have remained very high due to high common production fees (table A.11).

**Table 7.4: Common Production Fees in Village Yongbozhou of Qianjiaping Township of Huaiyang District (unit: yuan)**

Yongbozhou Village	Year 2001	Year 2004
Population	1,538	1,504
Land size ( <i>mu</i> )	3,268	3,254.5
Total Regular Levee Fee	36,000	29,340
Total Core Levee Fund	0	71,377.5
Total Levee Fees	36,000	100,717.5
Total Drainage Electricity Fee	200,000	172372.5
Total Common Production Fees	236,000	273,090
Levee Fee Per <i>mu</i>	11.02	30.95
Drainage Electricity Fee Per <i>mu</i>	61.2	52.96
Common Production Fee Per <i>mu</i>	72.22	83.91
Levee Fee Per Person	23.41	66.97
Drainage Electricity Fee Per Person	130.04	114.61
Common Production Fee Per Person	153.45	181.58

Source: Numbers taken from table A.9.

High common production fees in lake areas means that in this area alone the second stage of the tax-for-fee reform (2004-2006), which lowered or abolished the agricultural tax and gave direct agricultural subsidies to peasants, has not reversed the trend of peasants abandoning their farmland in large numbers. For example, in a village in Liubokou Township, which is another lake township in Huaiyang District, among the 210 households of the village, 60 households were working as migrant workers in cities in 2004. Not a single person of these 60 households stayed in the village. Out of the close to 1,800 *mu* of farmland of this village, peasants were only

willing to contract and cultivate 573 *mu* of them. The rest of the 1,200 *mu* of low-lying farmland were abandoned by peasants.<sup>139</sup>

### **Impact on Debt Reduction of the Local Government**

The rural tax-for-fee reform has deepened the fiscal crisis of the local government. Villages, townships, and counties in rural China became heavily indebted in the 1990s. Before the tax-for-fee reform, the local government transferred this debt crisis to peasants by collecting an exorbitant amount of taxes and fees from them. After the reform, this outlet was cut off. Further, as explained above, the reform, by significantly reducing the income of the local government, but not its fiscal responsibilities, forced the local government to borrow more money to pay salaries to its civil servants and teachers and to provide public goods in the countryside. Thus, the local government not only cannot pay back old debts, but it also has to borrow new funds, which has become increasingly difficult, as the local government has lost credit in the eyes of banks.

As explained in chapter 1 and 2, villages, townships, and counties in Hunan accumulated a huge amount of debt in the 1990s for economic, fiscal, political, and bureaucratic reasons. The most heavily indebted town in Hunan has a debt level of close to 100 million yuan. The heavy indebtedness of the township government is not limited to Hunan and other parts of Central China. Rather, it is a nationwide phenomenon. One township party secretary put it this way: “It is not only my township that has debt. Almost all townships in the entire country are indebted.”<sup>140</sup>

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<sup>139</sup> Interview with the director of the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaiyang District, summer 2004.

<sup>140</sup> Interviews with the party secretary of Liugongwan Township, summer 2004 and Jan. 2005.

This financial crisis of the local government is severe and almost impossible to solve. Not only are counties, townships/towns, and villages deep in debt, being bankrupt many times over if allowed, but also the debt composition is extremely complicated. Villages and townships/towns owe peasants money, which consists of two types: funds that villages or townships/towns collected from peasants to start town or village-owned enterprises (TVEs) and money that peasants put in the two rural funds (*liang hui*) that went bankrupt. Peasants owe both villages and townships/towns rear taxes and fees. Villages also owe both peasants and cadres wages. Villages and towns owe each other money. Villages owe towns the agricultural tax and other taxes and fees. Towns owe both villages and peasants subsidies. Villages and townships/towns owe common production fees to the water management station. Townships/towns owe their cadres salaries and funds (*ji zi kuan*). Towns and villages borrowed money from banks, credit unions, rural funds, and private people. They owe money to construction teams that built school houses, strengthened river banks, or built or maintained roads for townships/towns. Counties have also borrowed from everywhere they can.

Clearly it takes more than the tax-for-fee reform to sort out this huge financial mess in the countryside. Preventing the local government from accumulating new debt alone, not to mention reducing the existing debt, will require the central government to increase the amount of the tax-for-fee reform transfer drastically. Reducing the debt of the local government in rural China will be a long-term process. A heavily indebted local government does not bode well for either political stability or the state's capacity to govern.

### **Part III. To Be or Not To Be: Local Governments in Rural China after the Tax-for-Fee Reform**

Given that the rural tax-for-fee reform has left counties, townships, and villages severely under-funded, what can the local government in rural China do? Where can the local government find the money to survive? To answer these questions, let us bring in the other two actors into the picture: the central government and the peasants.

The local government has three options. First, it can seek out more money from the central government and push the central government to take up more fiscal responsibilities. Second, it can continue to collect fees from peasants in various disguised forms. Third, it can both seek out money from the central government and continue to tax peasants. The central government also has three options regarding what to do about the fiscal shortfall of the local government. First, it can ask the local government to shrink the size of the local bureaucracy and the rural education apparatus drastically. Second, it can send more transfers to the local government and allow it to shed some of its fiscal responsibilities, such as the responsibility to pay for rural basic education. Third, it can both increase transfers to the local government and require the local government to streamline itself. The central government prefers the first option, because it is not only cheaper, but also lies at the root of the problem of the predatory local state. Still, the central government is aware that it is hard for the local government to streamline itself. If the central government only demands that the local government streamline itself but does not send it more money, the local government has to resort to overtaxing peasants, which will then lead to peasant protest and riots and the disruption of the political stability in the countryside. Because maintaining the tranquility of the countryside is the most important goal of the rural tax-for-fee reform, it is simply not enough just to ask the local government to

streamline itself. Thus, the central government has been increasing transfers to the local government since the tax-for-fee reform (see table 7.5). The problem with option two (the money option) is that the central government does not have the fiscal capacity to completely cover the fiscal shortage of the local government either. No matter how much the central government increases its total expenditure on rural China, it is still short of what is necessary to keep the local bureaucracy functioning, to provide adequate public goods in rural China, and to reduce the huge amount of debt of the local government. The central government, therefore, resorts to option three, which not only gives the local government more money and takes up more fiscal responsibilities, but also requires the local government to streamline itself.

Thus, the local government receives transfers from the central government, which have been increasing, but are still not enough to cover the shortage. The local government also faces the pressure to streamline itself, which it cannot succeed in doing, so it still has to resort to collecting some fees from the peasants. As a result, we will observe all three kinds of behavior from the local government. It will continue to push for bigger transfers from the central government and fewer fiscal responsibilities. It will engage in all kinds of bureaucratic reshuffling in the name of streamlining the local bureaucracy. It will also collect fees from peasants and withhold money from them to cover the fiscal shortage. The policy of establishing the new socialist countryside, an ambitious national policy that was launched in early 2006 by the central government which aims at providing free basic education, establishing a cooperative rural health insurance scheme for all peasants, supplying rural public goods, such as roads and irrigation projects, and tilting national investment toward the countryside, only slightly modifies the pattern, but does not fundamentally change it.

## The Money Option: Never Enough Transfers

Part II of this chapter has explained that the increased agricultural tax and its surcharge and the central tax-for-fee reform transfers from the central government were not enough to cover the revenue loss of the local government as a result of the tax-for-fee reform (2002-2003). When the agricultural tax was lowered by 3% in 2004, the local government's fiscal shortage largely remained the same. The central tax-for-fee reform transfers were fixed at the level of 2002 and the central and the provincial government would only cover for the reduced amount of the agricultural tax. Thus, the total central government expenditure on rural China in year 2004 (262.6 billion yuan) was simply not enough to make up for the fiscal shortage of the local government.

In 2005 the central government indeed increased the transfers to the local government. Its total rural expenditure increased by 34.9 billion yuan, compared to 2004 (table 7.5). Fifteen billion yuan was spent (on top of the central tax-for-fee reform transfers) to alleviate the fiscal plight of agricultural counties.<sup>141</sup> Fourteen billion yuan was spent on covering revenue loss due to abolishing the agricultural tax that year.<sup>142</sup> The central government also decided to expand the pilot project on rural

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<sup>141</sup> *Guanyu 04 nian yusuan zhixing qingkuang ji 05 nian yusuan cao an de baogao* [A report on the implementation of the 2004 budget and on the draft of the 2005 budget] made on March 5, 2005 by the Minister of Finance of the PRC to the 3<sup>rd</sup> Annual Meeting of the 10<sup>th</sup> People's Congress. "Caizheng buzhang Jin Renqing cheng anpai 150 yi huanjie xianxiang caizheng kunnan" [The Minister of Finance Jin Renqing says that 15 billion yuan are to be appropriated to relieve the fiscal difficulties of counties and townships], March 13, 2005, <http://finance.sina.com.cn/g/20050313/11301425871.shtml> (accessed March 13, 2005). "150 yi yusuan zhichu: xianxiang zhaiwu dingshi zhadan nengfou zuizhong jiechu" [15 billion yuan budgeted: will the bomb of county and township debts be deactivated in the end], *Zhongguo jingji shibao* [China economics times], March 14, 2005.

<sup>142</sup> *Guanyu 04 nian yusuan zhixing qingkuang ji 05 nian yusuan caoan de baogao* [A report on the implementation of the 2004 budget and on the draft of the 2005 budget].

health care which started in 2003.<sup>143</sup> By the end of September, the cooperative health care system had expanded to 671 counties.<sup>144</sup>

**Table 7.5: From Abolishing the Agricultural Tax to Constructing the New Socialist Countryside (unit: 100 million yuan)**

Year	Total Central Government Expenditure on Rural China	Education	Rural Health Care	Subsidizing the Local Government
2004	2,626			
2005	2,975		Pilot projects on rural health care expanded to 671 counties	150 subsidizing rural counties
2006	3,397	Start fee rural basic education in Western China  2,182 new government investment on rural basic education in five years (2006-2010) central government: 57% local government: 43%	Rural health care expanded to 40% of rural regions	1,030 annually on subsidizing rural counties and on rural basic education(central govt. 780 local: 250)
2007	3,917	expand free rural basic education to Central and Eastern China		

Sources: The numbers in column two (total central government expenditure on rural China) for 2004-2006 come from “Zhao Yining, “3397 yi kaiduan, zhongyang caizheng quanmian buchang nongcun” [Starting with 339.7 billion yuan, the central budget comprehensively subsidizes the countryside], *21 shiji jingji baodao* [21<sup>st</sup> century economic report], March 10, 2006. The number in column 2 for 2007 comes from “Jingt nongmin fudan fantan, bu yao ‘mianle shui, zhangle fei’” [Watch out for peasant burdens bouncing back. Do not let (the phenomenon of) “taxes reduced, but fees increased” occur], March 13, 2007, <http://politics.people.com.cn/GB/1026/5464229.html> (accessed March 13, 2007). The two numbers (671 and 150) in row three (year 2005) come from *the Report Presented by the Minister of Finance of PRC to the 3<sup>rd</sup> Annual Meeting of the 10<sup>th</sup> People’s Congress on March 5, 2005*. The numbers (2182, 1030) in row 4 (year 2006) come from *Prime Minister Wen Jiabao’s Report to the 4<sup>th</sup> Annual Meeting of the 10<sup>th</sup> People’s Congress on March 5, 2006*. The percentage split in row 4 (57 vs. 43) comes from the 2<sup>nd</sup> News Conference organized by the Ministry of Education on Feb. 27, 2007.

<sup>143</sup> Interviews with peasants in Qizong Township, Qinggang City, summer 2004. Also see “Missing the Barefoot Doctors,” *The Economist*, October 11, 2007.

<sup>144</sup> *2005 nian guomin jingji he shehui fazhan tongji gongbao* [A statistical report on the national economy and social development of 2005] made by the National Statistical Bureau on Feb. 28, 2006.

### *Constructing the New Socialist Countryside*

In 2006, the central government launched the ambitious “constructing the new socialist countryside” project, an agricultural policy that was first mentioned at the end of 2005.<sup>145</sup> It promised to spend hundreds of billions of yuan on China’s countryside during the 11<sup>th</sup> five-year plan (2006-2010) and lift China’s countryside from poverty. It promised to tilt the central government’s investment on basic infrastructure toward the countryside. The percentage of government expenditure (over the total government expenditure) on public goods in the countryside, including rural basic education, rural health care, rural roads, rural minimum living standard, irrigation projects, and rural telecommunication will increase annually.<sup>146</sup> Specific policies taken under this program of constructing the new socialist countryside in 2006 included two: making rural basic education truly free for peasants for the first time and establishing a rural cooperative health care system. In 2006 rural students in Western China had their tuition and miscellaneous fees waived, and received free textbooks and subsidies toward their room and board expenses. In 2007, this education policy, called “two waivers and one subsidy” (*liangmian yibu*) expanded to central and eastern parts of China. In 2006, the rural cooperative health care system expanded to 40% of the countryside and will cover 100% of rural China by the end of 2008.

The fiscal responsibility for providing free basic rural education and establishing a rural cooperative health care system will be split between the central and the local government. Between 2006 and 2010, the total government expenditure

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<sup>145</sup> The concept of constructing the new socialist countryside was first mentioned in Oct. 2005 during the 5<sup>th</sup> Plenum of the 16<sup>th</sup> Party Congress. See Deng Jin, “Zhongguo nongcun di er ci biange lakai xumu” [The second rural reform in China has begun its prelude], *Nanfang zhoumo* [Southern weekend], March 9, 2006.

<sup>146</sup> The new socialist countryside has five elements, including “*shengchan fazhan, shenghuo kuanyu, xiangfeng wenming, cunrong zhengjie, guanli minzhu*” [a developed economy, a comfortable life, civilized customs, clean village appearance, and democratic village administration], see Deng Jin, fn. 145.

on rural basic education will increase by 218.2 billion yuan or 43.64 billion yuan a year.<sup>147</sup> Nationally, the central government would pay for 57% of the cost (218.2 billion), and the local government would pay for 43%.<sup>148</sup> However, the share of the central government payment for the education cost varies in three different regions. It is 80% in Western China, 60% in Central China, and 50% in Eastern China. In Central China, where Hunan is located, the provincial government will pay for more than 70% of the local share of the education cost.<sup>149</sup> To cover the fiscal shortfall of the local government after abolishing the agricultural tax and implementing the aforementioned new rural education policy (two waivers and one subsidy), the government will spend 103 billion yuan every year starting in 2006, which is again split between the central and the local government. The central government will pay for 75% of this expense or 78.2 billion yuan and the local government will pay for about 25% or more than 25 billion yuan.<sup>150</sup> Regarding the rural cooperative health care system, for each participating peasant who paid 15 yuan of the premium, the central government and

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<sup>147</sup> Prime Minister Wen Jiabao's Report to the 4<sup>th</sup> Annual Meeting of the 10<sup>th</sup> People's Congress on March 5, 2006.

<sup>148</sup> It is not clear whether the 218.2 billion yuan will cover most of the cost of rural basic education (paying for salaries and improving school conditions) or it will only be enough to pay for the "two waivers and one subsidy," the new rural education policy implemented in 2006. For the percentage split between the central and local government, see "Leiji 2182 yiyuan zijin touru nongcun yiwu jiaoyu gaige" [A total of 218.2 billion yuan will be invested to reform rural basic education], Feb. 27, 2007, <http://edu.people.com.cn/GB/5421667.html> (accessed Feb. 27, 2007).

<sup>149</sup> "Zhibo: jiaoyubu 2007 nian di er ci lixing xinwen fabuhui: jieshao nongcun yiwujiaoyu jingfei baozhang jizhi gaige de youguan qingkuang" [Live broadcast: the second news conference of the Ministry of Education in 2007: explaining some issues related to reforming the mechanisms to ensure adequate funding for rural basic education], Feb. 27, 2007, <http://edu.people.com.cn/GB/8216/5422036.html> (accessed Feb. 27, 2007).

<sup>150</sup> See Prime Minister Wen Jiabao's Government Report to the 4<sup>th</sup> Annual Meeting of the 10<sup>th</sup> People's Congress on March 5, 2006; Zhao Yining, "3397 yi kaiduan, zhongyang caizheng quanmian buchong nongcun" [Starting with 339.7 billion yuan, the central budget comprehensively subsidizes the countryside], *21 Shiji jingji baodao* [21<sup>st</sup> century economic report], March 10, 2006; and "Planning the New Socialist Countryside," *The Economist*, March 9, 2006.

the local government each contributed 10 yuan to the plan.<sup>151</sup> In 2006, the total government contribution to the rural cooperative health care scheme increased from 20 yuan per peasant to 40 yuan per peasant. This alone would cost the central government 4.2 billion yuan a year.<sup>152</sup>

In 2007, the free rural basic education expanded to Central and Eastern China. The central government also decided to establish the rural minimum living standard nationwide by the end of this year.<sup>153</sup> It increased the direct agricultural subsidies from 12 billion in 2006 to 27.6 billion yuan. Moreover, the total direct agricultural subsidies reached 42.7 billion yuan in 2007.<sup>154</sup>

### ***Financing the Local Government while Constructing the New Socialist Countryside***

Has the policy of constructing the new socialist countryside alleviated or exacerbated the fiscal plight of the local government, compared to the situation during the years of the tax-for-fee reform? Because the fieldwork for this dissertation ended in January 2005, one year before the policy of constructing the new socialist countryside was implemented, it cannot provide local level data to support its argument. Instead, the answer is based on the political logic in China and on the national level data presented above.

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<sup>151</sup> “Missing the Barefoot Doctors,” *The Economist*, Oct. 11<sup>th</sup>, 2007.

<sup>152</sup> See Zhao Yining, fn. 150.

<sup>153</sup> The policy of establishing a rural minimum living standard fee was announced in Dec. 2006 during the meeting on agriculture organized by the central government (*zhongyang nongcun gongzuo huiyi*). See “Jingtí nongmín fudan fantan, bù yào ‘miǎnlè shuǐ, zhǎnglè fèi’” [Watch out for peasant burdens bouncing back. Do not let (the phenomenon of) “taxes reduced, but fees increased” occur], March 13, 2007, <http://politics.people.com.cn/GB/1026/5464229.html> (accessed March 13, 2007).

<sup>154</sup> “Jinnian zhongyang caizheng nongzi zonghe zhibu jiada lidu” [This year the central budget increases the amount of comprehensive direct agricultural subsidies], *Zhongguo shuiwu bao* [China taxation newspaper], June 3, 2007.

It is likely that the fiscal situation of the local government has improved somewhat compared to the situation from 2002-2004, which part II of this chapter has analyzed in detail. There are two political reasons for this. First, the central government has to rely on the local government to govern, so it must take into account the interests of both peasants and the local government. It simply cannot afford to relieve peasant burdens only, but neglect the fiscal difficulties of the local government. After all, disgruntled and unpaid local cadres can also protest and petition, perhaps even more loudly than peasants, which will threaten social stability. Second, the fiscal plight of the local government creates pressure within the Chinese political system. Because this pressure can no longer be relieved by taxing peasants, it will be channeled through the bureaucratic ladder. It gradually climbs up the bureaucratic ladder and ultimately forces the central government to do something about the fiscal woes at the foundation of the political system. Local cadres have repeatedly argued that in the end the central government will have to increase transfers to the local government to make up for the fiscal shortage created by the tax-for-fee reform.

After the tax-for-fee reform, the central government must increase the level of transfers [to the local government]. It is for sure that if the current level of the tax-for-fee reform transfer can last for one year, it cannot last for two years. If it can last two years, then it cannot last three years. Otherwise [the local government] has to collect fees from peasants again. With [the current level of central transfers], the local government cannot function (*yun zhuan*).<sup>155</sup>

When townships are on their last legs, the higher-level governments (*shang mian*) will have to figure out a way [to help them out]. The township, as one layer of the government, cannot just breathe its last breath. Thus, the higher government will give the township some money as its life support.<sup>156</sup>

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<sup>155</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

<sup>156</sup> Interview with the vice director in charge of finance and commerce of Liugongwan Township, Huaiyang District, Jan. 2005.

Judging from the national level data, it does seem that the central government has been giving more transfers to the local government, starting from the 15 billion yuan in 2005 that was to be spent to help agricultural counties to function (*yun zhuan*). In 2006, the number increased to 78.2 billion a year to be spent on the local government and on rural basic education. The money will help the local government cure some of its fiscal woes. Further, the total central government expenditure on rural China has been increasing by more than 10% since 2004 (see table 7.5). Overall more central government expenditure on rural China means more money transferred to the local government. Even though most of the money is not specifically allocated for making up for the shortage of maintaining the local bureaucracy, more money flow to the countryside improves the fiscal situation of the local government.

Nonetheless, has the fiscal situation of the local government, which deteriorated rapidly after the tax-for-fee reform, improved drastically as a result of constructing the new socialist countryside? The answer is very likely to be “no.” The total central government expenditure on rural China increased by only 42.2 billion yuan in 2006, the first year that the policy of constructing the new socialist countryside was implemented. It is hard to imagine how one can built a new socialist countryside in a vast country like China with only 42.2 billion yuan a year. Most of this money will probably be spent on the two new programs adopted that year, namely to provide free basic education to rural students in western part of China and to expand the rural cooperative health care scheme to 40% of rural areas in China (table 7.5). While these two programs are laudable because they provide free education and health care for peasants for the first time since 1978, they are at the same time a burden on the local government. Both programs do require the local government to match up some funds. It is yet to be determined through further fieldwork whether the extra

218.2 billion yuan to be spent in five years (2006-2010) on rural basic education can only cover the lost tuition and miscellaneous fees, free textbooks and room and board subsidies as a result of the new education policy (two waivers and one subsidy) or cover the entire cost of rural basic education. As explained in chapter 3 and in part II of this chapter, tuitions and textbooks constitute only a little more than 10% of the entire cost of rural basic education. What is far more expensive is paying for teachers' salaries (70%-80% of costs) and to improve school conditions. If 218.2 billion yuan can only cover the cost associated with two waivers and one subsidy, this means that the huge fiscal hole in providing for rural basic education as a result of the rural tax-for-fee reform has not been filled, but has actually deepened since the policy of constructing the new socialist countryside was launched. Even if the 218.2 billion yuan does cover the entire cost of providing for basic education in rural China, the fact that the local government must match up some funds (43%) will cancel some of the fiscal gains that the local government has made through more transfers, which is discussed in the previous paragraph.

Two other factors explain why the fiscal situation of the local government is unlikely to improve rapidly in spite of the efforts to construct the new socialist countryside. These are the huge debts of the local government and the tax-sharing system that is inadequate to help poor regions in China to finance their ever-increasing financial responsibilities. As another piece of evidence that the local government has succeeded in extracting more money from the central government after the tax-for-fee reform, the central government has indeed agreed to waive the "two basics" debt (*liangji zhaiwu*) that townships borrowed during the drive to reach the two standards in rural basic education in the 1990s. While this undoubtedly provides some financial

relief that townships badly need, it still falls short of their wildest expectations: that all their debts would simply be written off by the central government.<sup>157</sup>

Similar to the debt problem, there is a huge discrepancy between what the local government wants and what is being offered regarding the fiscal system. As explained in chapter 2, townships in Hunan had to purchase taxes every year to fulfill high quotas imposed on them by counties. The fiscal system is a major reason why townships in Hunan are indebted. The tax-for-fee reform, because it creates a big fiscal shortage for the local government, has made it necessary to reform the fiscal system at the local level. What local cadres want is to reform the tax-sharing system adopted in 1994 so that the local government will capture a larger share of the national revenue.<sup>158</sup> What is being offered are two kinds of ways to reform the fiscal system at the township level. One disempowers the township government as a fiscal entity. The other significantly reduces the tax quotas that the township receives from the county, but makes it difficult for the county to break even. Called “counties managing township’s finance” (*xiang cai xian guan*), the first fiscal reform turns the township government into a fiscal unit of the county, rather than an independent fiscal entity. The township submits all their income to the county and receives all their expenses from the county, losing its independent account.<sup>159</sup> Under the second fiscal reform

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<sup>157</sup> Interviews with township and county cadres in Huaizhou, Yuanxiang, Zizhou, and Sishui, 2001-2003, summer 2004, and Jan. 2005.

<sup>158</sup> Ibid.

<sup>159</sup> “Cugai caizheng tizhi, zhongyang zhutui ‘sheng guan xian’” [To facilitate fiscal reform, the Central Government promotes (the goal of) “The province administering the county”], Oct. 20, 2005, <http://finance.people.com.cn/GB/3786806.html> (accessed Dec. 19, 2006). “Sheng guan xian caizheng ruhe gaige” [How to reform (local finance) to make provinces manage county finances], Sept. 23, 2005, <http://theory.people.com.cn/GB/40553/3721292.html> (accessed Dec. 19, 2006). “Ningxia shidian xiangcai xian guan xiangyong, e zhi xiangzhen zhaiwu e xing pengzhang” [To prevent township debts from exploding, Ningxia province carries out a pilot project to let counties manage township finances], *Zhongguo qingnian bao* [China youth daily], Nov 5, 2004. Ma Xiaohe, *Guojia fagaiwei chanyefanzhan yanjiusuo suozhang* [The Director of the Research Institute on Industry Growth of the National Development and Reform Committee], “Renmin Luntan: nongcun shuifei gaige de fangxiang yu xiangguan zhengce xuanze” [People’s Forum: direction and policy choices of the rural tax-for-fee

method, the inflated part of the tax quotas imposed on the township by the county is cut out. In a dramatic example, the local taxes quota imposed on Jinggang Town, a lake town located in Wangcheng County of Changsha Prefecture in Hunan was reduced from 1.2 million yuan in 2005 to 10,000 yuan in 2006.<sup>160</sup> In Yuanjiang City, the only county in Hunan selected as the site of a pilot project to carry out “comprehensive rural reforms” in 2006,<sup>161</sup> the tax quotas that the county issues to its townships were not only reduced, but also fixed for five years. The county has also taken charge of the finances of its townships.<sup>162</sup> Neither method, however, can magically solve the problem of financing the local government in rural China after abolishing the agricultural tax. Both leave the crucial question unanswered: where does the money come from?

### **The Institutional Option: Streamlining the Local Bureaucracy**

The institutional option has been on the agenda from the very beginning of the rural tax-for-fee reform. This chapter has already showed that the fiscal situation of

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reform], *People's Forum* (Issue 12, 2004), <http://theory.people.com.cn/GB/40551/3092156.html> (accessed March 18, 2005).

<sup>160</sup> “Tansuo xianxiang caizheng gaige zouchu maishui guaiquan: Xintizhi ‘gui bian ren’” [Research county-township fiscal reform and get out of the vicious circle of purchasing taxes: The new system turned “ghosts” back into “human beings”], Dec. 19, 2006, <http://nc.people.com.cn/GB/61161/5186129.html> (accessed Dec. 19, 2006).

<sup>161</sup> “Comprehensive rural reforms” (*nongcun zonghe peitao gaige*) refer to three rural policies dealing with new situations in the countryside after the agricultural tax was abolished in 2006, including deepening the institutional reform of township governments, reforming rural basic education, and reforming the county-township fiscal system. They can be conceptualized as methods to reach the goal of establishing the new socialist countryside. The concept of “comprehensive rural reforms” first appeared in the report that China’s Prime Minister, Wen Jiabao presented to the 4<sup>th</sup> Annual Meeting of the 10<sup>th</sup> People’s Congress on March 5, 2006. See “Wen Jiabao: Zhashi tuijin shehuizhuyi xinnongcun jianshe” [Wen Jiabao: Actively promote (the policy of) constructing the new socialist countryside], a news report that appeared on the New China News Agency website on March 5, 2006.

<sup>162</sup> “Yi xiangzhen ganbu: Wo weihe ti xiangzhengfu beishang 40 duowanyuan zhaiwu?” [One township cadre: Why have I shouldered more than 400,000 yuan of debt for the township government?], June 29, 2006, <http://politics.people.com.cn/GB/1026/4544531.html> (accessed Dec. 19, 2006).

the local government has not greatly improved compared to before the tax-for-fee reform, even though the central government has indeed increased transfers to the local government as part of the effort to construct the new socialist countryside. In addition, a quick glance of the size of the local bureaucracy in China is sufficient to show that no amount of transfers will be enough to feed the huge local bureaucracy. From 1994 to 2000, the number of people who ate the “emperor’s grain” in all counties and townships in China, including civil servants and teachers, increased from 22,510,000 to 29,590,000. There were also more than 3 million village cadres employed by 735,000 village committees. In addition, there were more than 17,120,000 social affairs cadres employed by agencies of all county governments in China.<sup>163</sup> The sheer number of people who must receive salaries from the state has become the biggest burden on the local public finance system. The local government in China, therefore, must streamline itself.

As a result, townships face a strong pressure to streamline themselves after the agricultural tax was abolished, which is natural, for their huge size lies at the root of the problem of the predatory local state. Prefectures, which so far have been out of the picture, strangely have also become a target of the reform to transform the local bureaucracy. Both townships and prefectures now have to face the possibility of an oncoming demise.

The guiding principle of the current round of institutional reform implemented after the agricultural tax was abolished is to flatten the bureaucratic layers and reduce the number of local cadres, particularly township and village cadres. To do this, it is proposed that prefectures which currently govern counties will be first weakened and then gradually eliminated. Provinces will directly administer counties, rather than

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<sup>163</sup> See Ma Xiaohu, fn. 159.

through the prefectures (*sheng guan xian*).<sup>164</sup> To reduce the size of the township government, there is pressure not only to shrink the number of its core members, meaning those who are fully funded by the county government and sever cadres employed by its agencies (*qizhan basuo*),<sup>165</sup> but also to strip the township government of its status as an independent layer of the local government. The township will be transformed into a sent-down unit of the county government (*xiang gongsuo*). Since it has stopped being an independent fiscal entity after the township fiscal reform in 2006, the township government has also lost the rationale for being an independent layer of the local government. As for reforming the village governance, different villages will be consolidated (*he cun*) and the number of village cadres will be reduced.

Will these efforts succeed? If history can provide us with any wisdom at all, the answer is “no.” With the exception of village cadres, who can be easily streamlined away because they are peasants after all rather than cadres paid by the state, it will be tremendously difficult to shrink the number of people who must be supported by local public finance. The size of the local bureaucracy may shrink. The layers of the bureaucracy may be reduced. The form of the township government may change. However, the fiscal obligation that the local government has toward its cadres will only increase, rather than decrease, when the local government is being

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<sup>164</sup> “Dai Junliang: shengguanxian shi qushi. Jianshao xingzheng cengji fei chediao dijishi” [Daijunliang: Provinces administering counties is the direction. Prefecture-level cities must be abolished to flatten the administrative layers], Sept. 29, 2006, <http://gov.people.com.cn/GB/46737/4875223.html> (accessed Sept. 30, 2006). “Cugai caizheng tizhi, zhongyang zhutui ‘sheng guan xian’” [To facilitate fiscal reform, the Central Government promotes (the goal of) “the province administering the county”], Oct. 20, 2005, <http://finance.people.com.cn/GB/3786806.html> (accessed Dec. 19, 2006).

<sup>165</sup> “Nongyeshui quxiao zhihou, xiangzhen mianlinzhe shengcun haishi zhongjie?” [After the agricultural tax is abolished, will townships face survival or demise?], an article from *Liaowang dongfang zhoukan* [Observer oriental weekly], <http://politics.people.com.cn/GB/1026/3208105.html> (accessed March 18, 2005). “Quxiao nongyeshui bi xiangzhen jigou ‘shoushen’” [Abolishing the agricultural tax forces township institutions to “lose weight”], *Zhonguo qingnian bao* [China youth daily], March 11, 2005.

streamlined. It is hard to streamline either the local bureaucracy or the education apparatus for the simple reason that a job cut means a rice bowl taken away and a hungry stomach. One town cadre put it this way: “Even if the county comes up with a policy on streamlining the town government, it is very hard for the town to know whom to lay off. It is a very tough question. After all, we all have to eat rice” (*dou yao chifan*).<sup>166</sup>

All previous rounds of streamlining the local bureaucracy (1983, 1995, 2002) increased, rather than decreased the fiscal burden of the local government. Some even increased rather than shrank the size of the local bureaucracy. Often the local government “streamlined” itself by paying for cadres to retire early and then hiring more people later, as can be seen from the following comments:

We have had three rounds of institutional reforms (*jigou gaige*) here. Each time after the reform, [the size of the local government] increased (*gao yi hui, duo yi hui*).<sup>167</sup>

Every round of institutional reform (*jigou gaige*) has been implemented at the expense of increasing the fiscal obligation [of the local government]. It does not decrease its fiscal expenditure (*caizheng zhichu*) at all. No matter what kind of reform it is, including institutional reform, whenever the policy is issued, it is all achieved on condition that it will increase the fiscal pressure [on the local government]. After [each round of] institutional reform, some people are laid off (*xiagang fenliu*) and some retire early. But you still have to pay them.<sup>168</sup>

If (s)he is a real (*zheng gui*) township cadre, where can you lay off him or her? There is no way out. Which one can you lay off? Even if you lay off him or her, you still have to pay him or her. Our current institutional reform actually does not decrease the number of people (*jian yuan*). Some people are indeed cut. It is done through early retirement. However, people who are a little more

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<sup>166</sup> Interview with the director of the Fiscal Office of Dongxingyuan Town, Yuanxiang County, Oct. 2002.

<sup>167</sup> Interview with a cadre of the Bureau of Education of Huaiyang District, spring 2002.

<sup>168</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

than 50 years old can devote all their time and energy to work. They are also healthy. Yet they are told to retire early and not allowed to work. Then other people are hired. This has increased the fiscal burden [of the local government].<sup>169</sup>

Furthermore, the size of townships can only be reduced when there is a large infusion of money from either the central or the provincial government. This is particularly the case with the large number of cadres employed by township agencies who can only be severed from the township and stripped of their cadre status if the township pays for their pension plan and health insurance and provides severance fees, all of which require a large sum of money that the local government does not have.

Institutional reform can also increase uncertainty, confusion, and corruption. In Dongxiangyuan Town of Yuanxiang County, for example,

[In previous years] eight offices first increased to ten and then to twelve offices. This year suddenly they were reduced to five. [The town] has gone through many rounds of institutional reforms. It has become increasingly confusing and messy. Nowadays one is not even clear about the relationship among [different agencies and offices].<sup>170</sup>

The lesson of abolishing rural districts, consolidating townships, and establishing towns has taught us that drastic institutional transformations, such as eliminating a layer of the local government without first establishing political accountability, is likely to lead to fiscal havoc.<sup>171</sup> Therefore, getting rid of the prefecture may not be as viable an option as it appears. Just like the money option, the institutional option has problems of its own. Most importantly, the latter will only work if there is a huge sum of money transferred to townships. Second, without

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<sup>169</sup> Interviews with cadres of the Rural Tax-for-Fee Reform Office of Huaizhou City, June 2003.

<sup>170</sup> Interview with the retired director of the Fiscal Office of Dongxiangyuan Town, Oct. 2002.

<sup>171</sup> See “Power of the Local Government and Two Central Policies Gone Awry” in chapter 2 for details.

political accountability, institutional transformations only increase confusion, inefficiency, and corruption.

### **Conclusion**

The rural tax-for-fee reform has brought about a profound transformation, if not revolution to the Chinese countryside. It changed the singular pressure on the local government to ruthlessly extract taxes and fees from the peasants and thus the contradiction between the two into an interactive play among the central government, the local government, and peasants. It abolished the agricultural tax, lowered peasant burdens, and provided them with subsidies. Abolishing taxes and fees, which became the single most important cause of rural instability in the 1990s, restored rural order and relieved local cadres of the difficult job of collecting grain from hundreds of millions of peasants scattered in the countryside. The reform changed the way that the local government had been financed in China. Before the reform, townships and villages were largely financed by peasants. After the reform, they are partly financed by the central and provincial government. The reform also ushered in a new era of rural development, which is exemplified in the national policy of constructing the new socialist countryside. The policy promises to tilt investment toward rural areas, to make the state, rather than peasants provide for public goods in the countryside, such as free basic education, rural health care, village roads, rural telecommunication, and so on. The ultimate goal of the rural tax-for-fee reform and the effort to construct the new socialist countryside are to abolish the urban-rural divide in China and to turn peasants into citizens equal to urban residents.<sup>172</sup>

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<sup>172</sup> “Ma Xiaohe tan xinnongcun jianshe, jiedu ‘zhongyang yihao’ wenjian” [Ma Xiaohe discusses constructing the new socialist countryside and interprets “the No. 1 Central Document”], <http://xinhuanet.com>, Feb. 22, 2006.

While all these reform policies are a step toward the right direction and indeed deserve to be praised, this chapter has made it clear that it will be a long time before the new socialist countryside can be established in China. It will be a long time before China is able to treat peasants as equally as urban residents for two reasons. First, once money and grain stopped flowing from peasants to the local government after the rural tax-for-fee reform, an alternative and viable way of financing the local government still has not been established. As a result, the local government is severely underfunded. They do not have enough money to pay their cadres and teachers. They are straddled with a huge amount of debt and have to take on new debts on top of old ones in order to function. Neither is there enough money for the local government to provide for public goods in the countryside. The policy of constructing the new socialist countryside alleviates some of these problems that the local government is facing after the tax-for-fee reform by increasing transfers to the local government and investment in the countryside, but it does not change the situation drastically. The discrepancy between what is needed to finance the local government adequately—large transfers, a new tax-sharing system, and a national policy to waive local governments' debts—and what can be offered by the central government is huge. Second, no number of transfers from the central government will ever be enough to feed the local bureaucracy and no viable local public finance system can ever be established unless the local government can streamline itself. The local bureaucracy, however, is tremendously tenacious and it will be very hard to truly establish a small local government that is accountable to the people. Streamlining the local bureaucracy requires big additional transfers from either the central or the provincial government, which cannot spare the money now. More importantly, streamlining would involve finding a solution to the toughest question that the Chinese polity is facing: how to make its bureaucracy small and accountable to the people.

It seems that no matter in which direction the local government in rural China looks (fiscal, institutional, or economic), there are huge road blocks ahead. Therefore, for a long time to come, the local government in rural China will have to juggle four different balls in order to survive. It will push for more transfers from the central government and it will try to shed more of its fiscal responsibility. It will go through various institutional transformations, as there is pressure from the central government for it to do so. It will find excuses to tax peasants. It will also try to attract investment and develop rural China economically. Who has ever said that it is easy to be a local cadre in China? All in all, building a local government that is adequately funded, that can provide sufficient public goods, and that is accountable to peasants will be a long-term problem for the Chinese polity.

## **CONCLUSION:**

### **STATE-SOCIETY RELATIONS AND PEASANT PROTEST IN CHINA**

#### **Introduction: State-Society Relations and Peasant Protest**

This dissertation has followed the transformation of the Chinese state through its interaction with peasants. Part I of the dissertation (chaps. 1-4) asked why local government in rural China became predatory in the 1990s. It traced the origins of the local predatory state in rural China to the fiscal (in)capacity, large size, and corrupt ethos of the local government. Part II (chaps. 5-6) analyzed peasant responses to the emergence of the local predatory state. Specifically, it asked under what conditions peasants could mount sustained and organized protest against such a local state. By studying peasant protest in Hunan province, a typical grain-producing province in Central China, Part II argued that “peasant intellectuals” and “peasant cadres”—better-educated peasants who had worked for the party-state at some point in their lives—played a crucial role in the emergence of peasant protest. This part further argued that organization, militancy, and the ability of the protest leaders to shake off the interpretative framework of the state were important both for the success and the diffusion of peasant protest.

Part III (chap. 7) studied the most important response of the Chinese central government to the rural fiscal and political crisis: the rural tax-for-fee reform of 2002-2006. It argued that the conflicting pressures from rebellious peasants and the weakened local government, whose fiscal base and political legitimacy had been eroded by peasant protests, led the central government to change its policy. Most importantly, the tax-for-fee reform gradually abolished the agricultural tax that had been the main point of contention between peasants and local government. By 2006, the problem of overtaxing peasants had largely been solved. The new national rural

policy also made it necessary for the local government to implement fiscal and institutional reforms. The local predatory state was thus transformed. However, this reform did not solve the structural problems that led to the emergence of the local predatory state in the first place, including the difficulty of developing vast areas of the Chinese countryside, establishing a sound rural public finance system, and constructing a small yet responsible and efficient local bureaucracy. Thus, tensions, old and new, still exist in rural China and will lead to a new round of interactions among peasants, local government, and the central government. The rural tax-for-fee reform concludes the story of the emergence of the local predatory state and its transformation. It may also lead to a new cycle of fiscal problems, predatory state policies, peasant protest, and state transformation.

### **The Emergence of the Local Predatory State**

A combination of an acute fiscal crisis and lack of political accountability led to the emergence of the local predatory state in rural China in the 1990s. The fiscal crisis—the growing gap between local government revenues and responsibilities—had economic, fiscal, and political causes. Three decades of breath-taking economic growth in China, described as the “long boom” by Brandt, Rawski and Zhu (2007), have yet to penetrate China’s vast countryside. This is because market forces, even when highly successful, have an inherent regional and urban bias, made even more obvious by the vast size of China and the uneven development of its different regions.<sup>1</sup> At the same time, the introduction of market forces and private property into the previously egalitarian system of communist China not only brought competition into

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<sup>1</sup> For discussions on China’s uneven development and its impact on Chinese politics, see Wang Shaoguang and Hu Angang, *The Political Economy of Uneven Development: The Case of China* (Armonk, NY: M. E. Sharpe, 1999) and *The Chinese Economy in Crisis: State Capacity and Tax Reform* (Armonk, NY: M. E. Sharpe, 2001).

the economy, but also created strong incentives for rent seeking for local officials and enterprise managers. Thus, local government and enterprise managers often colluded in siphoning off state and collective assets for private use. Under the double pressure of competition and corruption, the public sector (small and medium-sized SOEs and TVEs) in counties and townships collapsed during China's transition to capitalism, thus de-industrializing vast areas of rural China.

The tax-sharing system (TSS) introduced by the central government in 1994, though an improvement over the previous fiscal contract system, exacerbated the fiscal situation of rural China. It burdened the local government in rural China with many expenditure responsibilities while leaving them with little fiscal capacity, thus creating a severe mismatch between fiscal capacity (*cai quan*) and fiscal responsibilities (*shi quan*) for these local governments. In addition, it created a severe downward fiscal pressure within the bureaucratic system, as the central government was able to centralize revenue through TSS. At the same time, the local government in rural China had a smaller share of national revenue while shouldering a larger share of national expenditure.

Though TSS contributed to the emergence of the local predatory state in rural China, it is unlikely to be replaced with a new fiscal system.<sup>2</sup> In a vast country like China, it is difficult to establish a fiscal system that redistributes a large amount of revenue across different regions and between prosperous cities and the poor countryside, as such a fiscal system would run against powerful local interests, namely the rich and prosperous coastal regions and cosmopolitan cities. Without a new fiscal system, however, the ability of the central government to give more transfers and

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<sup>2</sup> Interview with the vice director in charge of budgeting of the Finance Bureau of Huaizhou City, June 2003.

subsidies to local governments in central and western parts of China is limited.<sup>3</sup>

Therefore, it is uncertain to what extent the policy of “constructing the new socialist countryside,” which provides subsidies and transfers to the local governments, will solve the fiscal problems of local government in rural China.

The relationship between the central government and local government in China also contributed to the emergence of the local predatory state. Local government in China is simultaneously weak and strong. Both its weakness and its strength wrought fiscal havoc to rural China in the 1990s. On the one hand, local government in China is weak because it sits at the bottom of the bureaucracy. Despite decentralization during the age of market reform, the party-state has retained the right to promote cadres (Landry 2008). So, if they want to be promoted, local cadres must carry out orders from officials at higher levels of the government. As a result, the local government was burdened with a torrent of unfunded mandates in the 1990s (Bernstein and Lu 2003; Cao 2002). On the other hand, local government in China is also powerful, for the central government’s monitoring capacity in a large and multi-layered administrative system in a looser political environment is rather weak. Thus, local cadres can distort well-intentioned central policies when they implement these policies at the local level. Both unfunded central mandates, particularly the drive to reach two standards in basic education (*lian ji*) and distorted central policies, such as the decision to establish two rural funds (*lian jin*) and to abolish rural districts, consolidate small townships, and establish towns (*chequ bingxiang jianzhen*) burdened townships with large amounts of debts in the 1990s.

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<sup>3</sup> First, under TSS, the two-tax rebate from the central government to the local government constitutes 40% of the total transfers, and the rebate favors richer regions (Wong 2007, 24). Second, another large chunk of central transfers has to be spent on paying for civil servants in local governments whose salaries have been increased many times since the mid 1990s, rather than on paying for public goods (ibid). Finally, though the share of the state’s total revenue over GDP in China has climbed to about 20%, the central government allocates only about 10% (ibid).

Finally, the political accountability of the local government also decreased in the 1990s. Central control over local government became looser as the political and economic system became more decentralized. At the same time, ordinary peasants remained powerless to affect local government decisions, the burgeoning literature on village elections notwithstanding. Finally, either because of a generation change or the “spirit of the times,” the ethos of local bureaucrats changed from serving the people to enriching themselves. As a result, the Chinese state expanded dramatically during the age of market reform, rather than shrinking (Shue 1995; Bernstein and Lu 2003). This looser political environment not only led to a much larger bureaucracy, but also a corrupt one. Bureaucratic expansion and corruption, coupled with an acute fiscal crisis, led to the emergence of the local predatory state in the 1990s.

### **The State and Peasant Protest**

My dissertation examined closely how and why the party-state simultaneously facilitated and constrained peasant protest. On the one hand, the party-state indirectly legitimized peasant protest. The division between the central and local government in the form of policy documents issued by the central government that the local government did not implement, created an opening in the political opportunity structure (POS) which peasant leaders seized. Most peasant protests started when, with the help of sympathetic government officials (usually retired), some peasants obtained central government documents on lowering peasant burdens and started to popularize them among fellow villagers. These documents encouraged peasants to protest and became their most important weapon. When they refused to pay taxes or staged anti-tax protests, peasants argued that they were helping the central government to carry out good policies that the corrupt and unjust local government refused to implement. The connections that peasants formed with the local bureaucratic world provided them

with access to these policy documents. Indirectly, the state also provided leadership for peasant protests (see the next section).

On the other hand, the state limited the scope of peasant protest, dampened its militancy, and restricted its diffusion. Most peasant protests had two identical demands: a) the reduction of taxes and fees and b) a fight against local government corruption, e.g., the opening of village accounts and the removal of corrupt officials.<sup>4</sup> At least in theory, these demands were in line with the official policies of the central government on lowering peasant burdens and punishing corrupt officials. Protesting peasants did not question the Communist Party's right to rule over them or the correctness of the central government's market-oriented policies. The state therefore provided peasants with a protest frame, which helped to legitimize claims made by protesting peasants, but also dampened their militancy. Moreover, the administrative boundaries of the state limited the diffusion of peasant protest. Thus, protesters in neighboring townships rarely cooperated, even though they often had similar grievances. Each peasant protest targeted its own township and maintained its distinct leadership and strategy. The state therefore had a strong imprint on peasant protests.<sup>5</sup>

### **The Role of Protest Leadership**

This dissertation has told the story of peasants fighting for their right to subsistence and standing up against the predatory local government under the leadership of some extraordinary peasants. These "peasant leaders" or "peasant heroes," as many peasants called them, popularized central documents among

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<sup>4</sup> Peasant protests against heavy burdens in the 1990s thus had identical goals with the protests of laid-off urban workers, who demanded that the state respect their right to subsistence and root out managerial corruption, which they blamed for the bankruptcy of their enterprises. See Feng Chen, "Subsistence Crises, Managerial Corruption and Labor Protests in China," *The China Journal*, no. 44 (July 2000): 41-63.

<sup>5</sup> I would like to thank Professor Bunce for suggesting these arguments to me.

peasants, interpreted state policies for them, petitioned higher levels of the government, mobilized peasants, recruited activists, organized protest activities ranging from peaceful demonstrations to the kidnapping of local officials, and protected other peasants against state repression.

Some other scholars on contentious politics in contemporary China have already highlighted similar roles played by protest leaders. Yongshun Cai argues that for laid-off workers to protest, there must be “coordinators or organizers, who facilitate information dissemination, instill confidence in participation, and articulate their demands” (2002, 328). Ching Kwan Lee argues that labor protests are not spontaneous. Rather they are led by “workers’ representatives” elected by the workers (2000, 2007). Bernstein and Lu document many roles of rural protest leaders, such as petitioning higher authorities and protesting in the name of the center (2003, chap. 5). Lianjiang Li and Kevin O’Brien write that rural protest leaders “lead the charge, shape collective claims, recruit activists and mobilize the public, devise and orchestrate acts of contention, and organize cross-community effort” (2008, abstract).

While leaders of peasant protest against heavy taxes and fees have played all these roles, my dissertation has highlighted two: the role played in the emergence of peasant protest and the role played in the militancy of the protest. I argue that protest leaders had to emerge before peasants could protest. Without leaders, peasants could only riot.<sup>6</sup> Protest leadership played such an important role because it provided a shield against state repression and changed the peasants’ calculations, which enabled peasants to rebel. Leaders protected their followers from direct state repression. It was impossible for the state to punish the tens of thousands of peasants who participated in protests, so it directed its ire at a few well-known leaders, who were arrested and

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<sup>6</sup> The fundamental difference of the two kinds of collective action lies in the duration, the sustainability, and the amount of coordination involved (Piven and Cloward 1992, 308-320).

sentenced to prison terms. Hiding behind this shield provided by leaders, it also became rational for peasants to participate in protest, as the cost was low (some time and donation), whereas the payoffs were high (taxes and fees significantly reduced). Thus, it was leadership alone that made it both safe and rational for ordinary peasants to protest in an authoritarian setting.

The dissertation further argues that different leaders had different protest frames, which then affected the militancy of a protest. Protests led by leaders who were non-communist party members with a higher level of education were more militant than those led by veteran communist party members with a lower level of education because the former could reinterpret the official frame while the latter stuck closely to it.

### **Spontaneous Protest vs. Protest Made by Leaders**

If one defines a leaderless or spontaneous protest as one marked by the complete absence of any kind of leadership or organizing activities, one may very well argue that there has never been any spontaneous protest in world history. If we look hard enough, we can find leaders behind almost all protest events. Even in the most seemingly spontaneous and disorganized protest, we may find some organizing effort by a few individuals and some kind of loose structure that links the protestors. Even in a rioting crowd, which seems to be completely chaotic, there is some order.

In this dissertation, I do not use such a broad yet weak definition of protest leadership. Rather, I make a strong claim about protest leadership. The distinction between a spontaneous protest and a protest that leaders make, I argue, does not lie in the absolute absence of leadership in the former and its mere presence in the latter. Rather it lies in the degree of and the role of leadership. A spontaneous protest occurs when the role of leaders or the degree of coordination effort is insignificant or not as

obvious or crucial as the outpouring of mass support and participation. A protest that is directed by leaders, on the other hand, takes place only because leaders emerge first and play a dominant role in the protest. Peasant protest was made by leaders. Leaders emerged first, which then led to the formation and articulation of peasant interests.

To say that peasants must be led before they can protest is of course not a novel idea. Marxist scholars and scholars on rural societies have made the same argument. Perhaps this argument about protest leadership is particularly relevant to peasants, due to their weak structural location in society and the few resources they have. Therefore, though this dissertation argues that peasants would not protest against heavy taxes and fees unless a leader emerged first, it acknowledges that it is possible to have leaderless and spontaneous protest.

Some scholars have already argued that social protest in contemporary China is often spontaneous. Feng Chen argues that the majority of worker protests against industrial restructuring or managerial corruption in China are spontaneous, unorganized, and leaderless (2003, 251). They are “contentious gatherings that occur in a context where public debates, consensus mobilization, and media framing are lacking” (2003, 239). Although scholars think that there are signs for coordinated protest in recent years, Bernstein and Lu characterize peasant protest against heavy burdens in the 1990s as largely lacking “sustained leadership, organization, and capacity to coordinate protests” (2003, 138). Andrew Mertha (2008) characterizes the Pubugou Protest in Sichuan Province in 2004 involving up to 100,000 peasants who opposed the construction of a dam and perhaps the largest peasant protest in China since 1989, as spontaneous, diffuse, and unorganized or loosely organized at most (65, 79, 89). Ekiert and Kubik argue that in post-communist societies, protests can emerge spontaneously, which will then lead to the formation of movement organizations (1999, 10). These authors also characterize the protest in the third world against

structural adjustment as spontaneous and violent (1999, 196). Debra Javeline argues that workers in Albania and Indonesia carried out spontaneous protest (2003, 199), whereas workers in Russia did not, though they faced the serious and widespread problem of wage arrears, which brought them severe economic hardship (2003).

There are different reasons why spontaneous protest does occur. First, according to Piven and Cloward (1979), “Protest wells up in response to momentous changes in the institutional order. It is not created by organizers and leaders” (36). Second, it is possible to have a spontaneous protest when a large number of people share the same interests and the same experience and are angry about the same issue at the same time. Finally, a spontaneous protest can occur when large numbers of people blame the same person or the same organization for their common misery or grievances (Javeline 2003). State socialism, therefore, provided the ideal ground for spontaneous protest.

Bunce, for example, argues that state socialism created a homogenized society with large numbers of people with identical positions, uniform interests, “a remarkably uniform set of experiences” (1999, 28), and a common definition of the enemy: the party-state (28-29). Further, when elite politics in state socialism changed, “a wide range of economic and social policies also shifted accordingly—and in the same direction at roughly the same time” (29). As a result, under state socialism, people experienced policy transformations the same way and would become angry at the same target at the same time when economic growth declined (29). Similarly, Zhou Xueguang used the metaphor of the “swarming bees” to describe state socialism in China (1993, 59). He argues that state socialism in China produced “large numbers of individuals with similar behavior patterns and demands that cut across the boundaries of organizations and social groups” (1993, 58).

Debra Javeline argues that “for aggrieved actors to protest their situations, they must master the politics of blame. They must identify specific culprits or problem solvers who then serve as targets for expressions of discontent” (2003, 8). When we apply this analytical framework to state socialism, we can also see that state socialism encouraged protest. Because the party-state dominated so many realms of life, people blamed it for all kinds of grievances. As Yongshun Cai argues, “The concentration of power in the hands of the state also connotes the concentration of responsibility and blame” (2008, 108).

State socialism not only produced large numbers of people with identical interests and experiences who all blamed the party-state for their various grievances, but it also provided organizational resources, such as work units, schools, and “enterprise residential communities” (Lee 2000), which significantly lowered the importance of a coordinator or an organizer and made it easy for people to act together without prodding.<sup>7</sup> The aforementioned institutional structure of state socialism, when combined with an opening of the political opportunity structure (POS), for example, when there was a succession problem (Bunce 1999) or a change of policy (Zhou 1993), could open the floodgate for social protest, even though nobody or no organization was consciously mobilizing people. This was what happened in Poland repeatedly, before the emergence of the Solidarity Movement in the 1980s (Ekiert and Kubik 1999, chap. 2). This was also what happened in China during the hundred flowers movement in 1957 and the student demonstrations in 1986 (Zhou 1993, 62-

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<sup>7</sup> Both Ching Kwan Lee and Yongshun Cai argue that it was easier for laid-off workers to protest when they lived close to one another in housing provided by their enterprises. Protesting workers therefore utilized the organizational resources—the living quarters of their enterprises that they inherited from the state in their protest. See Ching Kwan Lee, “The ‘Revenge of History’: Collective Memories and Labor Protests in Northeastern China,” *Ethnography* 1, no. 2 (2000): 217-237 and Yongshun Cai, “The Resistance of Chinese Laid-off Workers in the Reform Period,” *The China Quarterly*, no. 170 (June 2002): 327-344.

66). In short, spontaneous protests often occurred in state socialism because large numbers of people had identical interests and experiences, they lived close to one another in organizations created by the state, and they blamed the state for their problems. When the right moment came, large numbers of people protested, even when there were no leaders or movement organizations.

While we could witness many spontaneous and leaderless protests under state socialism, they have become rarer and rarer in today's China. As a result of the restructuring of SOEs, workers are laid off and they have become more and more disorganized (Lee 1998, 1999, 2003). Those who have retained their jobs are subject to market despotism (Lee 1999). As they are transformed from work-unit beings (*danwei ren*) to social beings (*shehui ren*), they become more and more uprooted from their factory and their community. They must struggle to survive, becoming increasingly divided because their interests are diverging (Solinger 1995, 1999, 2002, 2003; Perry and Seldon 2003: introduction). All these changes have made the role of a leader and an organizer increasingly important among Chinese workers. Thus, to have more than the "industrial crowd" in Chinese cities (Solinger 2004), workers' protest leaders must first emerge. China's society becomes more and more diverse and less organized, the simple argument made in this dissertation—that without a leader, peasants could only riot, rather than protest—should be widely applicable to protests by other social groups. Marx's haunting statement, "They cannot represent themselves, they must be represented" (Tucker 1978, 608) applies to workers, as well as peasants, in today's China.

## **Who Were the Peasant Leaders?**

Who were the peasant leaders that made peasant protest possible? This is a question that has fascinated many students of peasant rebellions and revolutions, though it has received little attention in the recent literature on social movements.

In his study of the Pugachev Rebellion, Philip Longworth argues that about 3000 Yaik Cossacks, including Yemelyan Pugachev himself, provided the bulk of the leaders for the great Russian peasant uprising of 1773-75, which involved at least two million peasants from a vast area in European Russia and Western Siberia (1975, 183). Cossacks were born leaders of peasant protests because they were “the only group in Russia that who could provide crowds of insurgent peasants with cohesion and military training” (194). Longworth further argues that literacy, defined as knowledge of the world outside the immediate village community gained through traveling, rather than social status, defined whether a Cossack or a peasant could become a leader in the protest. Many leaders, Cossacks or not, had traveled broadly in Russia, experienced clashes with law enforcement, and seen with their own eyes the oppression and misery that were widespread in Russia in the late 18<sup>th</sup> century (196-197).

John Womack (1971) starts his book *Zapata and the Mexican Revolution* by describing how “a People Chooses a Leader.” Emiliano Zapata was chosen as a leader by his fellow villagers for a number of reasons. He was young, vigorous, relatively well-to-do, and respected by his fellow villagers. He had been a leader in defending the villages against attempts by landlords to seize village land. He was also the nephew of the incumbent village chief. Though he was relatively well-traveled and had worked briefly in Mexico City, he remained a peasant and was considered by his fellow villagers as one of them (Prologue). Zapata was later elected as the “Supreme

Chief of the Revolutionary Movement of the South” because he was both a sharecropper farmer and a warrior (79).

The issue of the background and formation of peasant leaders has also attracted the attention of students of peasant protest in contemporary China. Lianjiang Li and Kevin O’Brien argue that peasant leaders fell into two categories: those who were public figures before leading a protest and those who were not. The first type included “former village cadres, retired government officials, clan elders, school teachers, and religious figures” (2008, 10) and occasionally “incumbent village Party secretaries and villagers’ committee directors” (11). The second type of individuals “are frequently male, better-educated, have strong personalities, and have undergone transformative experiences such as serving in the army” (13). In the same vein, Patricia Thornton (2004, 98) and Elizabeth Perry and Mark Selden (2003, 11) argue that peasant protests against heavy taxes, land seizures and other government impositions were often led by current or former (retired) local government officials.

Yu Jianrong (2004, 565) argues that peasant leaders were usually middle-aged, well-educated (with a high school diploma), relatively well-off and had served in the military or toiled as migrant workers in the cities. A few were communist party members or retired village cadres. He argues that demobilized soldiers were particularly active and militant. Bernstein and Lu (2003) argue that rural protest leaders include trouble-makers, village elites not in office, and elected village officials (147). Among the second type, “many or perhaps even most of the peasant leaders came from the well-educated village-level elite such as PLA veterans who had acquired organizational and communication skills in the army” (2003, 148). They also

point out that village school teachers played an important role (149) and that many rural protest leaders were team heads (154).<sup>8</sup>

Nevertheless, this dissertation argues that the best way to understand the rise of peasant leaders and to conceptualize their common characteristics is through studying the relationship between these leaders and the party-state. Demobilized soldiers, village school teachers, team heads, communist party members, non-communist party members, and retired village party secretaries were all featured in this dissertation. However, all of them had one thing in common: they all worked for the local party-state at some point in their life. They were, therefore, politically active. Through working for the party-state or joining the communist party, they acquired “political capital”—experience in leading and organizing people, connections with the local bureaucratic world, and ability to understand and interpret government documents—all of which were needed for them to become leaders. In short, peasant leaders were “peasant cadres” who were produced by none other than the local party-state. Among peasant cadres, current and former team heads did feature most prominently in the peasant protests that I studied because these team heads were located at the very bottom of the Chinese bureaucracy. Although they were trained politically by working for the party-state, they tilled the land like other peasants and were poorly paid by the state, if at all. As a result, they shared the same interests with peasants, rather than with the local government.<sup>9</sup>

By focusing on the role of the party-state in the emergence of peasant leaders, my thesis challenges currently fashionable ideas about the importance of social and cultural capital and local and transnational networks of activists in social protest. For

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<sup>8</sup> Hobsbawm argues that the village schoolteachers played an important role in most peasant movements in history (1973, 12).

<sup>9</sup> Bernstein and Lu made the same argument in *Taxation Without Representation*, 154.

example, Erickson Nepstad and Bob (2006) argue that protest leaders must have three types of capital, including social capital (connections), cultural capital (education), and symbolic capital (prestige). I agree that all three qualities were important for peasant leaders. However, Erickson Nepstad and Bob overlook the most important capital needed for protest: political capital. Without political capital acquired through working for the party state, even well-respected, well-educated and well-connected peasants could not and did not become protest leaders.

Other scholars have argued that as the Chinese polity becomes more pluralized and as China integrates more with global society, political actors other than those trained by the party-state are gradually entering the political scene. For example, Litzinger (2007) argues that the protest against the construction of a dam along River Nu in Yunnan province in the early 2000s involved local, regional, and transnational activists (284), while the role played by local cadres was minimal. The most important role was played by environmental activist groups based in Beijing and Kunming (292). These people were “cosmopolitan nomads” (297) who had close connections with the western world and the media. More broadly, Economy (2004) argues that the environmental movement in China consists of NGOs and environmental activists that have close ties with their counterparts in the West (166-69). She argues that the growth of environmental NGOs represents an expansion of civil society in China. Though it is an open question whether China’s NGOs will demand political change (252), she suggests that these environmental NGOs may play a role in regime transformation, as they did in the collapse of the former Soviet Union and Eastern Europe and in the political change of China’s Asian neighbors like Thailand (130, 175).

In his book *China’s Water Warriors* (2008), Andrew Mertha studies three cases of resistance against dam construction and its impact on hydropower policy-

making. He argues that “China’s fragmented authoritarian system has become increasingly pluralized in recent years” (12). According to this author, policy change in China is brought by three types of policy entrepreneurs, including government officials who oppose a given policy due to either personal convictions or their bureaucratic interests (8-9), the media (10), and NGOs, including GONGOs, whose members are often “trained as journalists or editors” in China (12). Policy change occurs when policy entrepreneurs use a rift within the bureaucracy and construct an alternative issue frame which opposes the state’s frame but resonates well with the larger public. This then makes it possible to build a coalition for people who oppose a given policy, such as building a dam (chap.1).

While acknowledging political pluralization in China and the role of NGOs, intellectuals with thick western connections, and even transnational activists in bringing about policy change, I suggest that for many people in China, particularly peasants and workers, the party-state still matters more than any other political actor in their life. China, after all, remains a large and poor developing country where issues of subsistence are far more important than the environment or any other post-materialist concerns. As a result, peasants and workers, led by cadres trained by the party-state, are likely to dominate the social protest scene in China for a long time to come.

### **Leadership and Protest Frame**

Leaders not only provided a shield of protection that enabled peasants to rebel, but they also interpreted or framed the question of peasant burdens and a peasant’s right to resist these burdens for his/her fellow villagers. All three cases happened after peasants acquired policy documents on lowering peasant burdens and decided to popularize them among fellow villagers so that these policies could be implemented. Policy documents, particularly central ones, featured prominently in all three cases.

All peasant leaders justified their right to rebel based on the state's own policies. None ever questioned the legitimate right of the party-state to govern. This demonstrated that the state provided the protest frame in all three cases. Just like Russian peasants in the 19<sup>th</sup> century who rebelled "in the name of the Tsar" (Field 1976), peasants in China in the 1990s protested in the name of the central government (Bernstein and Lu 2003, 130; O'Brien and Li 1995, 2006).

Within this larger interpretative constraint, however, the protest frame varied somewhat among the three cases. Leaders with higher levels of education, i.e., a high school diploma, and who were neither communist party-members nor veteran village cadres were less afraid of adding their own interpretation of the causes of their grievances and ways to redress them to the large interpretative framework provided by the state (the case of Qizong). In contrast, leaders who were veteran communist party-members with a lower level of education found it hard to deviate from a strict interpretation of the rules and regulations of the party-state and rights provided by it, which worked to dampen the militancy of the protest (the case of Cangyuan). When leaders had a mixed education level (both high and low) and a mixed party membership (both communist party members and non-members), the protest frame was ambivalent (the case of Changtang). Therefore, central documents are a double-edged sword. They not only promote, but also dampen the militancy of peasant protests.

This argument has two important implications. First, it shows that the level of education of protest leaders and their relationship with the party-state affect the militancy of a protest. Second, it demonstrates that peasant protest and other social protests driven by economic grievances in China are not regime threatening and are unlikely to make profound political demands without the agitation of professional organizers or movement entrepreneurs. This is not only because these protests are

usually local and do not link up with one another (Perry and Selden 2003: Introduction; Bernstein and Lu 2003: chap. 5), which is discussed below, but also because peasants have not produced an alternative protest frame. The party-state still provides the protest frame used by peasants, who can revise or improvise on some themes, but who do not challenge the large ideological/interpretative framework of the party-state.<sup>10</sup> Thus, peasant leaders interpreted their protest activities as helping the central government implement its rural policies, rather than challenging the rule of the party.

In my future research, I will explore one factor that is currently missing from the picture: the relationship between the peasants' protest frame and the local peasant culture. As Scott argues, peasants can draw upon their "little traditions" and rebel (1977, 274). Perhaps some protest leaders were more militant than others not because they had a more distant relationship with the party-state, but rather because they represented a peculiar local peasant culture. Thus, the Qizong protest may have been unusually militant because the region had a rebellious tradition or a high degree of village solidarity.

### **Militancy and Success**

There is a lively literature on whether being militant makes social movements more or less successful (success being defined as change in government policy). In the American context, Piven and Cloward (1979) argue that poor people's movements are more successful when they are more disruptive, for the only power that the poor have is the power to disrupt the workings of bourgeois society. Gamson

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<sup>10</sup> This is consistent with Andrew Mertha's argument on issue framing (2008). He argues that only when policy entrepreneurs successfully construct an alternative frame that opposes the dominant official frame of either economic development or maintaining social stability can the opposition groups succeed in bringing policy change. See chapter 1 and chapter 2 of *China's Water Warriors*.

(1990) “finds that groups which used ‘force and violence’ against their opponents tended to be ‘more successful’ than groups that did not.”<sup>11</sup> McAdam (1983) shows that disruptive tactics helped the civil rights movement in the United States to gain media attention and new recruits. An escalation of tactical innovations by the black insurgents and the corresponding tactical adaptation of the movement opponents helped to maintain the momentum of the civil rights movement. Once the insurgents ran out of disruptive tactics, the movement died down. However, in his study of social protest in Italy in the 1960s and 1970s, Tarrow (1989) concludes that social movements lost support when they began to use violence (from attacks on policemen during demonstrations to terrorist kidnappings and killings) because such tactics scared many people.

Students of social protest in China have likewise debated the relationship between movement militancy and success. O’Brien and Li (2006) argue that disruptive tactics increased peasant support for protest (92) because such tactics attracted more attention and convinced ordinary peasants that the protest leaders were serious about fighting for peasant rights. In contrast, Andrew Mertha (2008) argues that protests against dams in China were the least successful when they became large-scale and militant because this kind of protest made it imperative for the state to suppress it for the sake of maintaining social stability. Once a protest became violent and large-scale, it became impossible for policy entrepreneurs to come up with an alternative frame that could counter the state’s frame of maintaining social stability. In his words, “Policy entrepreneurship was largely absent once the opposition took the form of

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<sup>11</sup> Gamson (1990), cited by Doug McAdam, John D. McCarthy, and Mayer N. Zald, “Introduction: Opportunities, Mobilizing Structures, and Framing Processes: Toward a Synthetic, Comparative Perspective on Social Movements,” in *Comparative Perspectives on Social Movements: Political Opportunities, Mobilizing Structures, and Cultural Framings*, ed. Doug McAdam, John D. McCarthy, and Mayer N. Zald (Cambridge: Cambridge University Press, 1996), 14.

large-scale and potentially violent demonstrations” (21). The road, therefore, was open for a crackdown, rather than policy change.

By and large, my findings support the contention of O’Brien and Li (2006) that peasant protests were more successful when they were more militant. Among the cases I studied, peasant burdens (taxes and fees) were lowered the most in Qizong, where peasants refused to pay taxes, kidnapped local cadres, and occupied local government premises. Peasant burdens remained officially unchanged in Cangyuan, where peasants had the most civil form of protest and where leaders merely disseminated burden-reduction policies on a small scale and refrained from any disruptive tactics, such as blocking traffic or assaulting local cadres. This observation, where protest militancy led to more economic concessions from the state could be found in other types of protests in China in the 1990s, such as worker protests.<sup>12</sup>

For two reasons, disruptive protest leads to more success in China. First, disruptive protest led to a more severe breakdown of local political authority, thus threatening social stability. This breakdown then gave higher levels of government, e.g., the provincial or the central government, an incentive to meet the peasants’ and workers’ demands halfway. Second, worker and peasant protests only demanded economic rights and the right to subsistence. Peasants demanded fewer taxes and fees (Bernstein and Lu 2003; Pan Wei 2003). Retirees from SOEs demanded their pensions and the right to eat (Hurst and O’Brien 2002). Laid-off workers demanded minimum-living standard fees (Perry 1999; Feng Chen 2000; Yongshun Cai 2002; Solinger

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<sup>12</sup> During my long fieldwork in northern and central Hunan (2001-2003), some retired workers from SOEs informed me that those who protested would in the end receive their pensions, whereas those who did not would not. Similarly, among laid-off workers, such as workers from bankrupt coal mines, those who protested loudly received some money for living, whereas those who kept quiet did not. Scholars on protest in contemporary China have pointed out that the state is willing to make economic concessions to protesting workers and peasants, partly because it considers economic grievances to be legitimate. See Perry (2002: introduction), Perry and Selden (2003: Introduction), and Shue (2004).

2004). Workers to be severed from their firms demanded higher compensation fees (Feng Chen 2003; Ching Kwan Lee 2000, 2002, 2007).<sup>13</sup> Because these protests usually did not make political demands, it was possible for the state to dispense with some money for the more important goal of stabilizing a region (Bianco 2001; Perry 2002: introduction; Perry and Selden 2003: introduction; Shue 2004; Ching Kwan Lee 2007). Thus, disruptive protests are more successful in China because they have made it necessary for the state to pacify a region and because it is possible for the state to make economic concessions to the protestors.

### **Administrative Boundary, Mobilizing Structure, and Diffusion of Protest**

While the party-state facilitated peasant protest by producing protest leadership and providing the protest frame and access to policy documents, it also restricted the diffusion of peasant protest by limiting its scale of coordination. The party-state strictly forbade peasants from establishing any independent organizations. Thus peasants could not build a formal movement organization with professional cadres who could coordinate protest activities across a large area. They could rely on few organizational resources during their protest, except their own dense rural networks buttressed by a communal cultural norm. These informal networks, however, could not provide the degree of coordination that was needed to overcome the state's administrative boundaries, i.e., the boundaries between different townships. As a result, peasant protest against heavy burdens in the 1990s usually did not diffuse beyond the boundaries of a township.

In all three cases of peasant protest studied in the dissertation, peasants established a loose mobilizing structure in their protest, which consisted of dense

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<sup>13</sup> For a book-length project of workers' protest in China in recent years as a result of the collapse of SOEs in China, see Yongshun Cai, *State and Laid-off Workers in Reform China: the Silence and Collective Action of the Retrenched* (London: Routledge, 2006).

informal rural networks coupled with a protest leadership exercised through informal meetings. This mobilizing structure was enough to mobilize peasants quickly within the boundaries of a township because township government played an important role in the lives of peasants. After the 1994 tax reform, for example, township governments were largely self-financing, relying on the agricultural tax and other taxes and fees from peasants to fund their activities. This brought them into direct conflict with the peasants within their jurisdictions. This mobilizing structure could also lead to the formation of a huge peasant crowd from a large area in a very short time, for little coordination was needed for a large riot to take place. However, it could not provide the level of coordination that was needed in order to overcome state boundaries and stage a cross-township or even cross-county protest. This explains why peasant protest in the 1990s, though widespread, was limited to pockets of rural radicalism. Specifically, the protests were usually township-bound. For example, in the two more militant and successful cases, protest leaders quickly attracted tens of thousands of followers within the township after they began to popularize central documents on lowering peasant burdens. However, in neither case did the protest spread to neighboring townships. Rather, peasant leaders in both cases did not bother to mobilize the villagers right next door, if these villagers belonged to (the case of Changtang) or used to belong to (the case of Qizong) a different administrative unit, i.e., townships or counties. The ease in which these small-scale protests were transformed rapidly into widespread riots, however, tells us that peasant protests in the 1990s were far more disruptive of the political order in rural China than their limited scale might dictate.

The above argument does not mean that peasants from different townships or counties could not protest at about the same time. From my own fieldwork and the works of other scholars (Pan Wei 2003; Yu Jianrong 2003, 2004; Bernstein and Lu

2003; O'Brien 2002; O'Brien and Li 2006; Lianjiang Li and O'Brien 2008), we know that peasant protests against heavy taxation in the 1990s were widespread. Rather, I suggest that even when peasants in neighboring townships were protesting at the same time, it was likely that these protest events were not coordinated. They were led by different leaders and they each targeted their own township. It was through contagion, rather than coordination, that peasant protest spread from one town/township or county to another, even if the protests took place at the same time.<sup>14</sup>

Specifically, peasant protests in the 1990s spilled over from one township to another mostly through a learning process that had two steps. First, news of peasant protest traveled quite fast, either through word-of-mouth or the media, which set up an example for peasants elsewhere, both near and afar, and played the role of "cognitive liberation" (McAdam 1982, 48-51). The rapidly spreading news encouraged the emergence of peasant leaders elsewhere. Second, peasant leaders in different townships borrowed policy documents on lowering peasant burdens from one another and learned how to use these documents against their township government. However, this was as far as their cooperation went. The leaders did not coordinate their efforts. As an indicator of the cellular nature of these protests, very often peasant protest leaders in neighboring townships/towns did not even know exactly what happened during the protest events right next door.

In various articles on worker protests in China, Ching Kwan Lee has consistently argued that these protests in China are divided, that they are mobilized at the level of enterprises or work-units, and that cross work-unit coordination is lacking

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<sup>14</sup> Bernstein and Lu (2003) are ambivalent about the question of whether peasants could coordinate their burden-reduction efforts on a scale larger than a township. On the one hand, they write that there were cases where peasants in several townships seemed to have succeeded in coordinating their efforts (155-156). On the other hand, they suggest that this was perhaps due to contagion (156) rather than deliberate coordination.

(2000, 2002, 2007). Borrowing from the work of Audrey Donnithorne (1972) and Vivienne Shue (1988), Lee categorizes worker protests as “cellular activism” (2008, 230-38). Audrey Donnithorne argues that the Chinese planned economy in the 1970s was cellular, in the sense that each province was an independent unit, with maximum economic exchanges within each province yet with minimum exchanges across different provinces. Vivienne Shue (1988) argues that state socialism broke down market towns and other traditional connections among peasants and divided them into small state-made cells, thus creating “cellularization” of the Chinese countryside. According to Shue, the concept of cellularization could be applied not only to the countryside but also to the entire body polity of Chinese state socialism, which could be described as a “honeycomb.”

According to Lee (2007), workers’ cellular activism had two characteristics. First, workers only mobilized at the level of individual factories. They refrained from establishing any “lateral organizations,” (238) meaning organizations that included workers from multiple enterprises. To put it simply, worker protests from different work units did not link up with one another, an argument that is identical to the one made in the dissertation. Second, cellular activism also meant the division of workers within one firm, such as the division between retired workers and laid-off workers and among retired workers themselves (236-237). Thus often only a portion of the workers from a work unit rather than the entire workforce participated in protests. She argues that the protest in Liaoyang in 2002 in which workers from “some 20 factories” (238) took part was the exception that proved the rule, because it was by chance, rather than by design, that the protest became so big. The leadership and organization of this large protest was limited to one factory (229, 238-243). Like the peasants in the Qizong protest who refused to coordinate their efforts with peasants from neighboring

townships, the leaders in the Liaoyang protest also excluded the workers' representatives from other factories from joining the leadership (231-232).

Similar to Ching Kwan Lee, Yongshun Cai also argues that the collective action of Chinese workers, including laid-off workers, "has often been based on individual enterprises, which means that the scale is limited" (2002, 340). Further, both Lee (2000, 2002, 2007) and Cai (2002, 2006) argue that workers used the organizational resources of state socialism, such as the workers' living quarters, to mobilize and coordinate their protest. Still, these organizational resources that workers inherited from state socialism were not enough to overcome the divisions among workers.

While Lee and Cai discuss the limited scale of worker protests, some scholars on rural China, such as Bernstein and Lu, Kevin O'Brien and Lianjiang Li, Yu Jianrong, and other China-based scholars have pointed out cases where peasants established large protest networks, if not formal organizations.<sup>15</sup> They argue that through these large informal networks, peasants have not only achieved a remarkable "staying power" in their protests (Bernstein and Lu 2003, 155-157), but also have been able to coordinate their resistance activities, if not necessarily protest activities on a scale larger than a township.

O'Brien and Li (2006), for example, argue that peasant activists have established large "informal social networks" (77) through various means, such as word of mouth, telephones, mingling at letters and visits offices and "petition villages" (77-

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<sup>15</sup> I use the term "protest networks" rather than "informal networks" to distinguish the two conceptually. The first refers to networks set up for the specific purpose of engaging in possible future collective action. They are usually developed through activists carrying out collective action together. The latter refers to networks developed in daily, economic, and religious lives, which however, can also be used for protest and other types of collective action. In *Rightful Resistance in Rural China* (Cambridge: Cambridge University Press, 2006), Kevin O'Brien and Li discuss these protest networks (77-79, 84-85, 124-125). These networks are to be distinguished from the "dense rural networks" that I use in chapters 5 and 6.

78). “More and more activists these days use mobile phones to arrange multivillage or even multitownship actions” (84). They write about two incidents in Hengyang, Hunan where peasants coordinated collective action at the level of the county.<sup>16</sup> Note that Hengyang is also the research site of Yu Jianrong, a China-based researcher on peasant protest in Hunan, who argued in 2003 that protesting peasants in Hengyang established a county-wide formal movement organization (Peasant Associations) and that peasants demanded political change (Yu Jianrong 2003a). Kevin O’Brien and Li (2006) concur with Yu regarding the peasants’ capacity to organize themselves independently from the party-state. They report that some peasants in China have demanded the establishment of Peasant Associations and that “villagers in Hebei and Anhui have drawn up their own versions of a Law of Peasant Association” (108). It remains to be seen whether or not this picture of a politicized peasantry with the capacity, or at least the intention to organize itself formally and independently is unique to Hengyang, Hunan. If peasants are indeed able to establish any kind of formal and independent organization, their ability to protest on a large scale will increase dramatically.

According to Bernstein and Lu (2003), though many protests against heavy taxes and fees in the 1990s were limited to one village (155) and that most of them were “spontaneous flare-ups that apparently lacked leadership and organization” (146), a growing number of cases in the late 1990s involved “one or more townships” (155). They point out cases where “peasant protests erupted in neighboring counties at more or less the same time” (156) and that in some cases, such as the protest in

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<sup>16</sup> “In August 1999, for example, eighty-seven peasant leaders from more than a dozen townships in Hengyang gathered in the provincial capital to lodge a massive collective action complaint. Activists from this county often travel to neighboring villages to publicize central documents and leadership speeches concerning overtaxation, and by 2002 they had coordinated their effort to overturn excessive school fees by adopting a uniform letter of complaint”(O’Brien and Li 2006, 107).

Renshou, Qidong, and Ningxiang, “deliberate coordination” played a role “in which several townships took part” (155). For example, in the Renshou Protest, “some villagers sought to enlist the cooperation of peasants in neighboring Penghan County” (156). They conclude that “prolonged organized resistance has becoming increasingly possible” (157) and that “horizontal networks of activists thus had the potential of organizing collective actions among several townships, or even, countywide protest” (156).

If peasants in China are able to coordinate their protests, there are reasons to think that workers in China can do the same. As workers learn from protest, they will be able to develop new organizational resources and coordinate their protest activities on a scale that is larger than a firm or even a sector.

Therefore, we have two different views on the scale or diffusion of social protest in China. The question of whether peasants and workers are able to establish a more formal protest organization, coordinate their protest activities, and move beyond the administrative boundaries of the state, can only be solved through further empirical research. To see if my conclusion, that social protests in China are local and confined with the administrative boundaries of the party-state is widely applicable to China, in my future research I will go to areas that border Hunan and Jiangxi, Hunan and Guangdong, and Hunan and Guangxi and study more cases of peasant and worker protests. Alternatively, I can study protest events in townships and counties within Hunan that border different counties or townships, such as Changtang and see the extent of the diffusion of the protest.

### **Conclusion: A State-in-Society Approach**

This dissertation has adopted a state-in-society approach in analyzing peasant protest in the 1990s. I have argued that peasant protest against heavy taxation in the

1990s illuminated the fact that social protest in China was both facilitated and constrained by the state. Elite division within the Chinese state, as evidenced by the failure of local governments to carry out the central government's rural policies, created a window of political opportunities for peasant protest. Inadvertently, the state also created protest leadership, whose emergence made protest possible. Most protest leaders were "peasant cadres" who had received a good education, e.g., a high school diploma, and were working, or had worked, for the local party-state. Finally, central documents on lowering peasant burdens helped to legitimize peasant protest by allowing peasants to claim that they were helping the central government to carry out its policies.

At the same time, the state also constrained the militancy and spread of peasant protest. Most obviously, the state arrested and jailed peasant leaders. However, it also dampened peasant radicalism and militancy in more subtle ways. Some peasant leaders were veteran communist party members, while others were not. In general, party members asked for moderate reductions in peasant burdens and used peaceful means, e.g., petitions and policy advocacy on a small scale, to advance their claims. Non-communist leaders made more radical demands, e.g., the removal of corrupt officials, a radical reduction of taxes and fees, and they used more militant tactics, e.g., public demonstrations, kidnappings or assaulting local officials, and occupations of local government buildings. Finally, the administrative boundaries of the state, e.g., between townships, turned out to be a rather effective barrier against the diffusion of peasant protest. While peasant protest leaders in different townships sometimes shared central documents, they did not coordinate their activities. Specifically, each protest targeted its own township because the state limited the organization-building capacity of challenging social groups and forced them to rely on informal networks. However,

these networks could not provide the degree of coordination needed to have a large-scale social protest.

There are at least two reasons for studying closely how the state shapes social protest in China. First, despite incremental institutional transformation in China, there still has not been fundamental political transformation in China. The state still “exercises a virtual monopoly over political discourse.”<sup>17</sup> Second, historically, the Chinese state has been a much more powerful and invasive actor compared to states in Europe and it has penetrated and shaped Chinese society to a larger extent than these countries.<sup>18</sup> This structural preponderance and historical importance of the Chinese state give it the unusual capability to shape social protest.<sup>19</sup>

This emphasis on the role of the state, however, does not mean to deprive peasants of their agency. The mere fact that peasants protested in some places, but not in others and that some protests were more militant and successful than others demonstrates that there are limits to a state-centered approach. Whether a peasant decided to participate in a protest, let alone lead it, was ultimately an individual decision. This dissertation has told a story about extraordinary individuals who became peasant leaders. They acquired and popularized government documents, recruited supporters, and organized protests. By doing so, they risked their own lives and the well-being of their families. Ordinary peasants also played an important role in

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<sup>17</sup> Elizabeth Perry, *Challenging the Mandate of Heaven: Social Protest and State Power in China* (Armonk, NY: M. E. Sharpe, 2002), xxiii.

<sup>18</sup> See, for example, Bin Wong, *China Transformed: Historical Change and the Limits of European Experience* (Ithaca, NY: Cornell University Press, 1997).

<sup>19</sup> In *Challenging the Mandate of Heaven*, Perry emphasizes how the state in China shapes social protest. She argues that protests in China have often been triggered by the state (xx). Protestors “are unusually attentive to signals from the state” (xxi). The state often affects the organizational structure of protesting groups and provides politically important space for protestors. Its practices are also imitated by protesting groups (xxii-xxiii). Due to “the tight structural links” between students and the state, students are far more interested in seeking alliances from within the state, rather than from other social groups, such as peasants or workers (xxix).

the anti-tax protests. They withheld taxes and fees from the state, signed petitions against the arbitrary policies of the local government, donated money to peasant leaders, protected their leaders from imprisonment (as much as they could), and, in some cases, physically attacked government officials and occupied their premises. It was precisely through exit, everyday forms of resistance, riots, and protest of social groups that the political authority and the legitimacy of the state was challenged and had to be constantly rebuilt. Thus, the core argument of this dissertation is that the Chinese state and society interact with and shape each other.<sup>20</sup>

### **Looking Ahead: The Transformation of the Chinese State?**

Is the Chinese state weak or strong? This is a hard question to answer, because it has elements of both.<sup>21</sup> China is large and there are significant regional variations. Further, the Chinese state continues to evolve. Were this dissertation finished before 2004, it would have ended on a more pessimistic note. At that time, the first stage of the rural tax-for-fee reform (2002-2003) had neither lowered peasant burdens significantly nor solved the fiscal crisis of the local government. Instead, it deepened the fiscal crisis and failed to streamline the local bureaucracy. The state, including the central government, seemed barely able to deal with China's mounting rural problem. China's rural crisis continued.

However, the second stage of the "tax-for-fee" reform has been more promising. Starting from 2004, the central government has been implementing a series

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<sup>20</sup> For an excellent study on how the Chinese labor movement has shaped the state, see Elizabeth Perry, *Shanghai on Strike* (Stanford: Stanford University Press, 1993).

<sup>21</sup> Scholars on Chinese politics disagree with one another on how best to describe the Chinese state, particularly the local state. For a summary of the works on the local state in China, see Richard Baum and Alexei Shevchenko, "The 'State of the State,'" in *The Paradox of China's Post-Mao Reforms*, ed. Merle Goldman and Roderick MacFarquhar (Cambridge, MA: Harvard University Press, 1999), 333-360.

of rural policies that abolished the agricultural tax, lowered peasant burdens, provided direct subsidies to them, and tilted public expenditure toward the countryside. In 2006, the central government launched the ambitious program of “constructing the new socialist countryside,” which promised to provide government financing for many public goods in rural China, such as village roads, free basic education, and rudimentary rural cooperative health care. The goal of this program is gradually to narrow down and eventually abolish the urban-rural gap in China.<sup>22</sup> This suggests that, although authoritarian and corrupt, the Chinese state can adopt and implement policies that accommodate social pressures while preserving government authority.

Nonetheless, it remains to be seen whether rural reform can fundamentally solve the structural problems of Chinese local government. Most local governments in China—villages, townships, and counties—are heavily indebted. (It has been estimated that the total debt of the local government amounts to 5% of the GDP.)<sup>23</sup> The new rural reforms have, if anything, made the fiscal situation of the local governments worse. They can no longer collect much revenue from peasants since the main rural tax—the agricultural tax—has been abolished. At the same time, local government is still required to provide public goods, such as basic infrastructure (roads, irrigation) and social services (basic education and health care). As part of the national program of “constructing the new socialist countryside” launched in 2006, the central government has made some subsidies and transfers available to local government. However, these are not nearly enough to close the gap between local government revenues and expenditures. Local government remains severely underfunded. With limited fiscal capacity and heavy debt, it is not clear how local

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<sup>22</sup> See chapter 7 for details.

<sup>23</sup> “Fat of the Land,” *The Economist*, March 23, 2006.

government in rural China can provide the many public goods promised in the national program of constructing the new socialist countryside.

More importantly, local government in rural China lacks not only fiscal capacity, but also political accountability. Corruption or even “organizational corruption” (Lu 2000) plagues the entire Chinese bureaucracy. Corruption of rural cadres directly affects the burden level of peasants, the amount of public goods, and the nature of the political order in rural China. To increase the political accountability of its local government, China has been experimenting with a series of grassroots political reforms (Goldman and Perry 2007). It has been implementing village elections since the late 1980s. It is experimenting with direct township elections in selected places (Lianjiang Li 2007; Thornton 2008). It has implemented the cadre responsibility system (Whiting 2001; Edin 2003; Lily Tsai 2007) and the “one-level-down management” system (O’Brien and Li 1999, 170; Lieberthal 2004, 236). It has also strengthened the rule of law and promulgated countless new laws and regulations, including labor laws (Gallagher 2005, 2007). In spite of all these efforts, corruption still reigns.

It has been equally hard to streamline the local bureaucracy, which has expanded at least 10 times since the early 1980s. To increase efficiency and accountability and to cut down the size of the bureaucracy, the Chinese government has gone through a series of bureaucratic reshuffling since the late 1980s. It has centralized a series of agencies, including “administrative regulation, financial regulation and commodities management” (Mertha 2004, 793-94) and turned many of them into line agencies under the leadership of the provincial government rather than piece agencies (*kuai*) under the leadership of local government.<sup>24</sup> It implemented three

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<sup>24</sup> The leadership relations (*lingdao guanxi*) of these line agencies were exercised by leaders from the equivalent functional agencies of the next level, rather than by the territorial government at the same level (Mertha 2004, 797).

rounds of bureaucratic reforms (*jigou gaige*) which attempted to streamline the bureaucracy.<sup>25</sup> It has also greatly increased its regulatory capacity (Dali Yang 2004).

Each round of streamlining the bureaucracy, however, has only made the local bureaucracy even larger and more bloated, not only because of corruption or lack of will power of the Chinese government, but also for various structural reasons. First, there is a pressure within state socialism to support over employment.<sup>26</sup> For example, local government had to find jobs for demobilized soldiers and college graduates (until 1998). Second, with the lack of economic development and the collapse of SOEs and TVEs, the local government is, in many parts of rural China, the only place where better-educated people who do not want to till the land or migrate to the cities in coastal regions can find employment. Many local cadres also have personal connections to higher-level officials, e.g., county and provincial officials based on family and school ties, not to mention a long history of trading favors, which they will use to make sure that they do not lose their jobs. Last not least, if all else fails, local cadres who suddenly find themselves without jobs, health insurance, or pensions may stage large and violent protests not unlike the peasant protests discussed in this dissertation. The need to maintain social stability and not to deprive government employees of their subsistence rights has made it hard to sever any bureaucrat without first solving his or her economic problems. This requires a significant amount of money which the local government does not have. To put it simply, local government literally cannot afford to sever its redundant employees.

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<sup>25</sup> See “The Institutional Option: Streamlining the Local Bureaucracy” in chapter 7 for a brief discussion.

<sup>26</sup> For the state socialist system’s commitment to full employment, see Kornai (1992) and Valerie Bunce, *Subversive Institutions: The Design and the Destruction of Socialism and the State* (Cambridge: Cambridge University Press, 1999), 28.

The rural tax-for-fee reform (2002-2006) and the policy of constructing the new socialist countryside (2006-present) have tightened up the fiscal constraints faced by local government in rural China. The local government not only cannot tax peasants at its will anymore, but it must also contribute to the provision of public goods in rural China. This new fiscal environment introduces urgent pressures to streamline the local bureaucracy because the local government in rural China simply can no longer finance a large bureaucracy. Its large water bureaucracy, for example, is just not sustainable. Further, the changed fiscal environment has also created a heightened pressure within the political system to shrink and flatten local bureaucracy. It has been proposed, for example, that the prefectural level of the government be abolished completely and that the township government be abolished and transformed into “a coordinating body belonging to the county” (Lieberthal 2004, 325). Still, members of the local bureaucracy, for all the reasons mentioned above, will hold on to their jobs with tenacity and will resist bureaucratic reshuffling and flattening. The tension between local bureaucratic interests and the external pressure to reform the local bureaucracy will thus intensify in China.

The rural tax-for-fee reform and the program of constructing the new socialist countryside have transformed the relationship between peasants and the state. They have turned peasants from a source of revenue for the local government to recipients of public goods and subsidies. They commit the central government to spend more in the countryside, rather than letting the local government shoulder all the responsibilities of providing for rural public goods and developing the rural economy. They mark the first step that the Chinese government has taken since the late 1980s toward reaching the long-term goal of rectifying its urban bias and narrowing and finally abolishing the urban-rural divide.

Nevertheless, there is a contradiction between these policy goals and the corrupt ethos and weak fiscal capacity of the local government in rural China. In the 17<sup>th</sup> century, the great Confucian scholar Huang Zongxi (1610-1695) wrote that peasant burdens, when lowered, would always bounce back because the peasants were the only reliable source of revenue for the state. Despite China's rapid economic development in recent decades, this "iron law" may still hold. Recent reforms notwithstanding, the Chinese local government is likely to remain big, inefficient, and corrupt. Once central control over the local government relaxes, the local government will probably make a renewed effort to extract more resources from the peasants. This will lead to a new round of peasant protest and central government intervention, repeating the seemingly eternal cycle of predatory revenue maximization, resistance, and reform.

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## APPENDIX

**Table A.1: Taxes and Fees Per Person/Per Mu (household level), Lijiamiao Village in Liugongwan Township (unit: yuan, kg)**

Li Jia Miao Village	Year 1988	Year 1989	Year 1990	Year 1991	Year 1992	Year 1993
Household size	4	4	4	5	1	1
Land size	4.2	4.2	4.2	5.25 (computed)	1	1
Agricultural tax per <i>mu</i>	23.1 kg	23.1 kg	23.1 kg	22.86 kg	24 kg	24 kg
Education surcharge per person	4	4	5.96	15 kg	15 kg	9
Family planning fee per person	0	0	0	0	0.5	0.5
Road construction fee per person	0	0	0	0	0.5	0.5
National defense fee per person	1.5	1.5	1.48	2	1.9	2
Five-guarantee household fee per person	1.5	1.5	1.48	2	1.9	2
Village administration fee per person	2	2	2	2	3	3
Five-guarantee household grain per <i>mu</i>	2.26 kg	2.26kg	2.26 kg	2.48 kg	2.5 kg	2.5 kg
River bank grain per <i>mu</i>	1.41	4.7 kg	4.7 kg	4.76 kg	4.75 kg	5 kg
Drainage fee per <i>mu</i>	1.21	4.23 kg	4.23 kg	4.29 kg	4.5 kg	4.5 kg
Flood-fighting grain per <i>mu</i>	0.47kg	0.47kg	0.47 kg	0.48 kg	0.5 kg	0.5 kg
Winter irrigation construction grain per person	0	0	5kg	10 kg	15 kg	17.5 kg
Water fee per <i>mu</i>	0	0	0	0	1	1.5
Population adjustment grain per person	4kg	3.5kg	3.19 kg	1.75 kg	1.25 kg	0.75kg
Total taxes and fees	47.04+ 124.5 kg	36+ 160 kg	43.67+ 178.75 kg	30+ 316.75 kg	8.8+ 67.5 kg	18.5+ 54.5 kg

**Table A.1 (Continued)**

Li Jia Miao Village	Year 1988	Year 1989	Year 1990	Year 1991	Year 1992	Year 1993
Taxes and fees (per person)	11.76+ 31.125 kg	9+40kg	10.92+ 44.69 kg	6+63.35 kg	8.8+ 67.5 kg	18.5+ 54.5 kg
Taxes and fees (per <i>mu</i> )	11.2+ 29.64 kg	8.57+ 38.10 kg	10.40+ 42.56 kg	5.71+ 60.33 kg	8.8+ 67.5 kg	18.5+ 54.5 kg

Sources: Numbers taken from the village accounting books in various years kept by the retired village accountant of Lijiamiao Village, Liugongwan Township, Huaiyang District (interviews in the village, Nov. 2001)

**Table A.2: Taxes and Fees Per Person/Per Mu (household level), Lijiamiao Village in Liugongwan Township (unit: yuan, kg)**

Li Jia Miao Village	Year 1994	Year 2001
Population size	2	2
Land size	1.956	1.616
Agricultural tax (per <i>mu</i> )	24.54 kg	28.47 kg
Special agricultural products tax (per <i>mu</i> )	0	0
Pig slaughtering tax (per household)	0	0
Education surcharge per person	15 kg	25
Family planning fee per person	0.5	5
Road construction fee per person	0	3
National defense fee per person	2	6
Five-guarantee household fee per person	2	4
Village public accumulation fund per person	0	3
Village administration fee per person	3	10
Five guarantee household Grain (per <i>mu</i> )	3.83 kg	3.71 kg
River bank grain (per <i>mu</i> )	5.11 kg	0
Drainage fee (per <i>mu</i> )	6.9 kg	22.9 kg
Flood-fighting grain (per <i>mu</i> )	0.51 kg	0

**Table A.2 (Continued)**

Li Jia Miao Village	Year 1994	Year 2001
Winter irrigation construction grain per person	15	0
Water fee (per <i>mu</i> )	1.76	2.48 kg
Agricultural technology grain per person	0	0
Animal immunization fee per household	0	0
Total taxes and fees	49.44+110 kg	112+93 kg
Taxes and fees per person	24.22+55kg	56+46.5kg
Taxes and fees per <i>mu</i>	24.76+56.24kg	69.3+57.55kg

Sources: The 1994 numbers were taken from the village accounting book in 1994 kept by the retired village accountant of Lijiamiao Village, Liugongwan Township, Huaiyang district. The 2001 numbers were taken from the peasant burden card of the family of the village party secretary (interviews in the village, Nov. 2001).

**Table A.3: Taxes and Fees Per Person/Per Mu (Village Level), Lijiamiao Village (unit: yuan, kg)**

Lijiamiao Village	Year 1993	Year 1995
Population size	1,370.5	1,387
Land size	1,165.6	1,154 366 households
Agricultural tax per <i>mu</i>	25.38 kg	25.63 kg
Special agricultural products tax per <i>mu</i>	0.39	1
Pig slaughtering tax per household	7.11	9
Education surcharge per person	9	17.6
Family planning fee per person	0.5	4.2
Road construction fee per person	0.5	10.5
National defense fee per person	2	2
Five-guarantee household fee per person	2	3.5
Village administration fee per person	3	6
Five-guarantee household grain per <i>mu</i>	2.5 kg	3 kg
River bank grain per <i>mu</i>	5 kg	5 kg

**Table A.3 (Continued)**

Lijiamiao Village	Year 1993	Year 1995
Drainage fee per <i>mu</i>	4.5 kg	7 kg
Flood-fighting grain per <i>mu</i>	0.5 kg	0.5 kg
Winter irrigation Projects Construction grain per person	17.5 kg	15 kg
Water fee per <i>mu</i>	9	12 kg
Agricultural technology grain per person	0	1 kg
Animal immunization fee per household	0	5
Total taxes and fees	32,099.5+67,418 kg	67028.1+77005kg
Taxes and fees per person	23.42+49.19 kg	48.33+55.52 kg
Taxes and fees per <i>mu</i>	27.54+57.84 kg	58.08+66.73 kg

Sources: *Liugongwan xiang Lijiamiao cun 1993 niandu quancun gexiang shangjiao zong fenpei biao* [Table on the distribution of all taxes and fees in Lijiamiao Village, Liugongwan Township in 1993], a table made by the retired village accountant on June 30, 1993. *1995 nian Liugongwan xiang Lijiamiao cun gezu gexiang shangjiao renwu fenpei biao* [Table on the distribution of all taxes and fees among teams of Lijiamiao Village, Liugongwan Township in 1995]. Both tables were provided by the retired village accountant during interviews in Nov. 2001.

**Table A.4: Common Production Fees of Lijiamiao Village in Liugongwan Township of Huaiyang District**

Year	Kilos Per <i>mu</i>
1988	8.14 kg
1989	9.4 kg
1990	14.16 kg
1991	19.05 kg
1992	26.79 kg
1993	30.24 kg
1994	31.95 kg
1995	42.53 kg
2001	25.38 kg

Sources: Numbers computed from tables A.1-3.

**Table A.5: Grain Procurement Price (every 50kg)**

Year	Grain Procurement Price (unit: yuan)
1986-1987	17.09
1988	17.09
1989	22.10
1990	22.10
1991	22.10
1992	24.5
1993	27.4
1994	44
1995	50

Source: Numbers provided by the village accountant in Lijiamiao Village, Liugongwan Township, Huaiyang District, Nov. 2001.

**Table A.6: Taxes and Fees Per Person/Per Mu, Liugongwan Township, Part I (unit: yuan, kg)**

Liugongwan Township	Year 1992	Year 1994	Year 1995	Year 1996
Township population size	33,024	33,431	32,885	32,687
Land size	24,332(computed)	25,259	25,259	25,259
Total agricultural tax	674,495 kg	674,495kg	674,495 kg	674,495kg
Agricultural tax (per <i>mu</i> )	26.7 kg	26.7 kg	26.7 kg	26.7 kg
Special agricultural products tax (per <i>mu</i> )	0.41	0	0.99	5.15
Pig slaughtering tax per person	1.77	0	2.5	0
Education surcharge per person	13.5 kg	15kg	17.6	26
Family planning fee per person	0.45	0.5	4.2	5
National defense fee per person	1.8	2	2	3

**Table A.6 (Continued)**

Liugongwan Township	Year 1992	Year 1994	Year 1995	Year 1996
Road construction fee per person	0.45	0.5	0.5	0
Five-guarantee household fee per person	1.8	2	3.5	5
Five-guarantee household grain (per <i>mu</i> )	2.52kg	3kg	3kg	3kg
River bank grain (per <i>mu</i> )	4.66kg	5kg	5kg	7kg
Drainage grain (per <i>mu</i> )	4.05 kg	7kg	7 kg	10kg
Flood fighting grain (per <i>mu</i> )	4.66kg	0.5 kg	0.5 kg	0.48kg
Reservoir grain (per <i>mu</i> )	1	1.76	12 kg	n/a
Winter irrigation project grain	0	0	7.5kg (pp) 7.5kg (pm)	7.5kg(pp) +7.5kg(pm)
Agricultural technology grain	0	0	0.5kg(pp) +0.5kg(pm)	1kg(pm)
Animal immunization fee (per household)	0	0	5	5
Contract administration fee per person	0	0.14	0	0
Total taxes and fees	216,984+ 1,548,540 kg	171,975+ 1,629,420 kg	1,067,042+ 1,572,151 kg	1,318,413+ 1,715,599kg
Taxes and fees per person	6.57+46.89 kg	5.14+ 48.74 kg	32.45+ 47.81 kg	40.33+ 52.49 kg
Taxes and fees per <i>mu</i>	8.92+63.64 kg	6.81+64.51kg	42.25 +62.24kg	52.2+ 67.92 kg

Sources: *Liugongwan xiang gecun gexiang shuishou ji gexiang shangjiao renwu fenpei biao* [Table on the distribution of required taxes and fees among all villages of Liugongwan Township] of 1992, 1994, 1995, and 1996. The tables were acquired during various interviews with cadres in this township in Huaiyang District, Huaizhou City from 2001 to 2002.

**Table A.7: Taxes and Fees Per Person/Per Mu, Liugongwan Township, Part II  
(unit: yuan, kg)**

Liugongwan Township	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Population size	32,476	32,378	32,020	32,020	32,020
Land size	25,133	25,133	25,133	25,133	25,133
Total agricultural tax	674,495	674,495kg	674,495kg	674,495	667,940
Agricultural tax (per mu)	26.8 kg	26.8 kg	26.8 kg	26.8 kg	26.58 kg
Special agricultural product tax (per mu)	0	0	4.97	0	4.07
Pig slaughtering tax per person	0	0	0	0	4.39
Education surcharge per person	20	34	30	25	25
Family planning fee per person	5	5	5	5	5
National defense per person	4	6	6	6	6
Road construction fee per person	20	20	4	3	3
Five-guarantee household fee per person	5	12	5	4	4
Five-guarantee household grain per person	3kg (per mu)	0	3kg	3 kg	3kg

**Table A.7 (Continued)**

Liugongwan Township	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Public accumulation fund per person	2	5	3	3	3
Village administration fee per person	10	10	10	10	10
River bank grain (per <i>mu</i> )	8kg	10 kg	12 kg	12 kg	11kg
Drainage grain (per <i>mu</i> )	12kg	12 kg	12 kg	12 kg	11kg
Reservoir grain (per <i>mu</i> )	10 kg	12 kg	12 kg	12 kg	0
Two labor services per person	20 days	20 days	20 days	20 days	20 days
Total taxes and fees	2,143,416+ 1,282,661k g	2,978,776 + 1,292,609 kg	2,142,260 + 1,433,567 kg	1,793,120 + 1,433,567 kg	2,005,820+ 1,371,760kg
Taxes and fees per person	66+39.5kg	92+39.92k g	66.90+ 44.77 kg	56+44.77k g	62.64+ 42.84 kg
Taxes and fees per <i>mu</i>	85.29+ 51.03 kg	118.52+ 51.43 kg	85.24+ 57.04 kg	71.35+ 57.04 kg	79.81+ 54.58 kg

Sources: *Liugongwan xiang gexiang shangjiao renwu fenpei biao* [Table on the distribution of required taxes and fees in Liugongwan Township] from 1997-2001. The tables were acquired during interviews in this township in Huaiyang District from 2001-2002.

**Table A.8: Taxes and Fees Per Person/Per Mu, Fengyugang Village in Liugongwan Township (unit: yuan, kg)**

Fengyugang Village	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999
Household size	3	3	3	3.5	3.5
Land size	n/a	n/a	n/a	n/a	n/a
Agricultural tax per person	19.17 kg	19.2 kg	19.17 kg	19.14 kg	n/a
Special agricultural product tax per person	1	3.8	3.7	0	n/a
Pig slaughtering tax per person	0	0	5	0	n/a
Education surcharge per person	17.6	26	20	34 kg	n/a
Family planning fee per person	4.2	5	5	5 kg	n/a
National defense fee per person	2	3	4	6 kg	n/a
Road construction fee per person	3.33	30	20	0	n/a
Five-guarantee household fee per person	3.5	5	5	12 kg	n/a
Public accumulation fund per person	0	0	2	5 kg	n/a

**Table A.8 (Continued)**

Fengyugang Village	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999
Village administration fee per person	10	10	10	10kg	n/a
Five-guarantee household grain per person	n/a	2.25 kg	2.33 kg	0	n/a
River bank and drainage grain per person	n/a	10.45 kg	16.7 kg	18.57 kg	n/a
Winter irrigation project grain per person	n/a	15 kg	0	0	n/a
Water fee per person	n/a	10 kg	11 kg	10 kg	n/a
School grain per person	0	35 kg	0	0	n/a
Other grain per person	42.83 kg	0	0	0	n/a
Two labor services per person	0	0	10 days	10 days	n/a
Rural electricity installment fee per person	10	5	0	0	8
Total taxes and fees	155.45+ 186 kg	263.4+ 275.7 kg	224.1+ 147.5 kg	419 kg	28+437.5kg
Taxes and fees per person	51.82+62k g	87.8+91.9k g	74.7+49.1 7kg +10 days	119.7 kg +10 days	125 kg+8

Sources: Numbers taken from one peasant family's burden cards in various years. The cards were acquired during interviews with peasants in Fengyugang Village, Liugongwan Township, Huaiyang District in Dec. 2001.

**Table A.9: Yongbozhou Village Total Taxes and Fees (unit: yuan)**

Yongbozhou Village	Year 2001		Year 2003	Year 2004
Population	1,538	Population	1,501	1,504
Land size ( <i>mu</i> )	3,268	Land Size ( <i>mu</i> )	3,258	3,254.5
Total agricultural tax and agricultural tax surcharge	58,000	Total agricultural tax and agricultural tax surcharge	176,576	101,541
Total township and village fees	280,000			
Total river bank fees	36,000	Total river bank fee	n/a	100,717.5
Total drainage electricity fee	200,000	Total drainage electricity fee	n/a	172,372.5
Total common production fee	236,000	Total Common Production fee	291,755	273,090
Total one issue one discussion fee	0	Total one issue one discussion fee	n/a	23,792.5
Total taxes and fees	574,000	Total taxes and fees	468,331	398,423.5
Taxes and fees per person	373.21	Taxes and fees per person	312	264.9
Taxes and fees per <i>mu</i>	175.64	Taxes and fees per <i>mu</i>	143.75	122.42

Sources: 2001 data collected by a cadre from the district posted to the village to carry out the pilot project of the rural tax-for-fee reform (interviews in Huaiyang district, 2001).

2002 and 2003 data collected by the Rural Tax-for-Fee Reform Office of the Finance Bureau of Huaiyang District of Huaizhou city (interview with the director of the office, summer 2004).

**Table A.10: Yongbozhou Village Taxes and Fees Per Person/Per Mu (unit: yuan)**

Yongbozhou village	Year 2001	Year 2003	Year 2004
Number of people	1,538	1,501	1,504
Size of land ( <i>mu</i> )	3,268	3,258	3,254.5
Agricultural tax per <i>mu</i>	17.75	45.16	26
Agricultural tax surcharge per <i>mu</i>	0	9.03	5.2
Unified township fees and village fees per <i>mu</i>	85.68	0	0
Regular river bank fee per <i>mu</i>	11.02	0	9.02
Drainage electricity fee per <i>mu</i>	61.2	0	52.96
Core levee fund (levied on land)	0	0	15
Core levee fund (levied on persons)	0	0	15
Common production fee per person	153.45	194.37	181.58
Common production fee per <i>mu</i>	72.22	89.55	83.91
One issue one discussion fee (levied on persons)	0	0	5
One issue one discussion fee (levied on land)	0	0	5
Taxes and fees per person	373.21	312	264.9
Taxes and fees per <i>mu</i>	175.64	143.75	122.42

Sources: 2001 data collected by a cadre from the district posted to the village to carry out the pilot project of the rural tax-for-fee reform in that year (interviews in Huaiyang District, 2001).

2002 and 2003 data collected by the tax-for-fee reform office of the Finance Bureau of Huaiyang District, Huaizhou City (interview with the director of the office, summer 2004).

**Table A.11: Yongbozhou Village Peasant Burden Comparison (unit: yuan)**

Yongbozhou Village	Year 2001	Year 2003	Year 2004
Taxes and fees per person	373.21	312	264.9
Taxes and fees per <i>mu</i>	175.64	143.75	122.42

Sources: 2001 data collected by a cadre from the district posted to the village to carry out the pilot project of the tax-for-fee reform (interviews in Huaiyang district, 2001).

2002 and 2003 data collected by the tax-for-fee reform office of the Finance Bureau of Huaiyang District of Huaizhou city (interview with the director of the office, summer 2004).

**Table A.12: Total Village Taxes and Fees, Village Lijiamiao and Village Hetang (unit: yuan, kg)**

Year	1993	1995	2001
Village Name	Lijiamiao	Lijiamiao	Hetang
Population size	1,370.5	1,387	1,910
Land size ( <i>mu</i> )	1165.6	1,154	1,368
Total agricultural tax	29,581 kg	29,582 kg	28,957 kg
Total pig slaughtering tax	2,604	3,294 (9 yuan per household)	0
Total special agricultural products tax	453	1,153.5	10,595.9
Total unified township fees	n/a	n/a	73,635
Total village fees	n/a	n/a	35,297.7
Total team fees	0	0	0
Total education surcharge	12,334.5	24,411.2	47,750
Total family planning fee	685.75	5,825.4	9,600
Total national defense fee	2,743	2,774	12,465
Total road maintenance fee	685.75	14,563.5	3,820
Total five guarantee household fee	2,743	4,854.5	0
Total village public welfare Fund	0	0	19,100
Total village administration fees	4414.5	8,322	16,197.7

**Table A.12 (Continued)**

Total river bank fee	5,447.5 kg	7,212.5 kg	0
Total drainage fee	4903.5 kg	7,212.5 kg	0
Total flood fighting fee	584.5 kg	0	0
Total winter irrigation construction grain	23,485.5 kg	20,805 kg	4117 kg
Total water fee	5,436	7,296 kg	13,107 kg
Total five-guarantee household grain	3,416 kg	3,510 kg	0
Total agricultural technology fee	0	1,387 kg	0
Total animal immunization fee	0	1,830	0
Total taxes and fees	32099.5 67418kg	67028.1+ 77005kg	119,528.6+ 46181 kg

Sources: *Liugongwan xiang Lijiamiao cun 1993 niandu quancun gexiang shangjiao zong fenpei biao* [Table on the distribution of all taxes and fees in Lijiamiao Village, Liugongwan Township in 1993], a table made by the retired village accountant on June 30, 1993 and *1995 nian Liugongwan xiang Lijiamiao cun gezu gexiang shangjiao renwu fenpei biao* [Table on the distribution of all taxes and fees among teams of Lijiamiao Village, Liugongwan Township in 1995]. Both tables were provided by the retired village accountant during interviews in Nov. 2001. *Hetang 2001 nian shangjiao fenpei biao* [Table on the distribution of taxes and fees (among teams) in Hetang in 2001] provided by the party secretary of Hetang Village, Huaiyang District, Huaizhou City during interviews, August 2001.

**Table A.13: Total Taxes and Fees of Village Quanshi and Tongqiao of Qingpu Town in Zizhou County (unit: yuan, kg)**

	Year 1999	Year 2000	Year 2001	Year 2000
Village name	Quanshi	Quanshi	Quanshi	Tongqiao
Population size	672	680	680	865
Land size ( <i>mu</i> )	737	737	737	1,136
Total agricultural tax	24,007 kg	24,007 kg	24,007 kg	38,918 kg
Total special agricultural products tax	5,500	5,500	5,467	0
Total common production fee	737	1,842	1,474	1,053
Total agricultural technology fee	0	0	0	1,579.5

**Table A.13 (Continued)**

	Year 1999	Year 2000	Year 2001	Year 2000
Village name	Quanshi	Quanshi	Quanshi	Tongqiao
Total military allowance fee	5,151	5,093	5,142	n/a
Total militia training fee	1,030	912	912	n/a
Total family planning fee	4,120	3,706	3,741	n/a
Total road maintenance fee	3,090	1,695	1,711	n/a
Total unified township fees	34,895	31,791	3,2113	44,777
Total village fees	17,136	14,393	1,4273	20,840
Total team fees	0	0	0	3,030
Total taxes and fees	58,268+24,007kg	53,526+24,007kg	53,327+24007kg	71279.5+38,918 kg
Taxes and fees per person	86.71+35.72kg	78.71+35.3 kg	78.42+35.3kg	82.4+45 kg
Taxes and fees per <i>mu</i>	79.06+32.57kg	72.63+32.57 kg	72.36+32.57kg	62.75+34.26 kg

Sources: Numbers provided by village accountants based on village rural tax-and-fee tables during interviews in Qingpu Town, Zizhou County, 2001.

**Table A.14: Taxes and Fees Per Person/Per Mu, Guojiatang Village of Huixiangpu Township (unit: yuan, kg)**

Guojiatang Village	Year 1997	Year 2001
Household size	5	5
Household land size ( <i>mu</i> )	5.634	5.634
Agricultural tax per <i>mu</i>	29.1 kg	29.1 kg
Special agricultural products tax per person	4	5.8
Education surcharge per person	20	25
Family planning fee per person	7.3	5
Military allowance fee per person	2	2
Militia training fee per person	1.1	1
Road construction fee per person	24	12
Public welfare fund per person	8	4.4
Village administration fee per person	10	10
Winter irrigation projects construction grain per person	17 kg	0
River bank fee per <i>mu</i>	4.26 kg	4.26 kg
Water fee per <i>mu</i>	12.96 kg	13 kg
Compulsory labor per person	0	62.74
Total taxes and fees	382 +346 kg	639.7 +261 kg
Taxes and fees per person	76.4 +69.2kg	127.94 +52.2 kg
Taxes and fees per <i>mu</i>	67.8+61.4 kg	113.54+46.33kg

Source: Numbers taken from a peasant family's burden cards acquired during interviews with peasants in Guojiatang Village, Huixiangpu Township, Huaiyang District, Nov. 2001.

**Table A.15: Taxes and Fees Per Person/Per Mu, Meishan Township (unit: yuan)**

Meishan Township	Year 1999	Year 2000	Year 2001
Household size	4.67	2	2
Land size	n/a	n/a	n/a
Agricultural tax per person	37.2	35.2	35.5
Unified township fees per person	27.2	26.5	27.5
Village fees per person	27.2	28.3	30.2
River bank fee per person	8.24	7.9	7.9
Drainage fee per person	4.63	9.5	15.7
Labor Service fee per person	15	22.5	0
Fund raised per person	10	3.8	0
Total taxes and fees	604.80	267.40	233.60
Taxes and fees per person	129.50	133.7	116.8

Sources: Numbers taken from individual peasant families' burden cards acquired during interviews in Wanyue Village, Meishan Urban Street Office in Sishui City, Jan. 2002.

**Table A.16: Taxes and Fees Per Person/Per Mu of Hetang Village in Wangyuting Town (unit: yuan, kg)**

Hetang Village, Wangyuting Town	Year 2001
Population size	1,910
Land size	1,368
Agricultural tax per <i>mu</i>	21.17 kg
Special agricultural products tax per person	6.58
Education surcharge per person	25
Family planning fee per person	5
Military allowance fee per person	5
Militia Training fee per person	1.5
Road Construction fee per person	2
Village public welfare fee per person	10
Village administration fee per person	8.5
Irrigation projects fee per <i>mu</i>	3 kg
Water fee per <i>mu</i>	13 kg
Total taxes and fees	119,528.6+46,181kg
Taxes and fees per person	62.58+26.76 kg
Taxes and fees per <i>mu</i>	87.37+37.17 kg

Source: *Hetang 2001 nian shangjiao fenpei biao* [Table on the distribution of taxes and fees (among teams) in Hetang in 2001] provided by the party secretary of Hetang Village, Huaiyang District, Huaizhou City during interviews, August 2001.

**Table A.17: Taxes and Fees Per Person/Per Mu, Village Tongqiao and Quanshi in Qingpu Town (unit: yuan, kg)**

Qingpu Town (Zizhou County)	Year 2001	Year 2001
Village name	Tongqiao	Quanshi
Household population size	5	3
Land size ( <i>mu</i> )	About 5.5	More than 3
Agricultural tax per person	39 kg	50.67 kg
Special agricultural tax per person	0	10.67
Education surcharge per person	30.18	n/a
Military allowance per person	7.52	n/a
Militia training fee per person	1.36	n/a
Family planning fee per person	3.5	n/a
Road maintenance fee per person	2.5	n/a
Unified township fees per person	45.06	62.33
Village fees per person	21.04	27.67
Agricultural technology fee per person	1	0
Irrigation fee per person	1	3
Total taxes and fees	340.5+195 kg	311+152 kg
Taxes and fees per person	68.10+39 kg	103.67+50.67 kg

Sources: Numbers taken from peasant families' burden cards acquired during interviews in villages in Qingpu Town, Zizhou County, 2001.

**Table A.18: Taxes and Fees Per Person/Per Mu, Cangyuan Town (unit: yuan, kg)**

Cangyuan Town (Yuanxiang County)	Year 2001	Cangyuan Town (Yuanxiang County)	Year 2002
Household size	2	Household size	2
Land size ( <i>mu</i> )	2.16	Land size( <i>mu</i> )	2.16
Agricultural tax per <i>mu</i>	35.88 kg	Agricultural tax per <i>mu</i>	$829 \times 6.98\% \times 1.02 = 59.02$
Water fee per person	15 kg	Agricultural tax surcharge	$829 \times 6.98\% \times 1.02 \times 20\% = 11.80$
Education surcharge per person	30.7	One issue, one discussion fee per person	8.6
Family planning fee per person	4.05	Water fee per person	11.75
Military allowance fee per person	1.6		
Militia training fee per person	1.7		
Road construction fee per person	1.15		
Village public accumulation fund per person	8.15		
Village public welfare fund per person	7		
Village administration fee per person	12.8		
Total taxes and fees	134.3+107.5 kg	Total taxes and fees	193.7
Taxes and fees (per person)	67.15+ 53.75 kg	Taxes and fees per person	96.85
Taxes and fees (per <i>mu</i> )	62.18+ 49.78 kg	Taxes and fees per <i>mu</i>	89.68

Source: Numbers taken from one peasant family's burden cards acquired during interviews with peasants in Shuangdu Village, Cangyuan Town, Yuanxiang County, Oct. 2002.

**Table A.19: Taxes and Fees Per Person/Per Mu, Changtang Town (unit: yuan, kg)**

Yuanxiang Changtang	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Household size	1	1	1	1	1
Land size( <i>mu</i> )	1.5	1.5	1.5	1.5	1.5
Agricultural tax per <i>mu</i>	34.67 kg	34.67 kg	34.67kg	34.67 kg	34.67 kg
Special agricultural products tax	4	4	0	0	0
Pig slaughtering tax per person	12	0	0	0	0
School building Fund per person	0	45	0	0	0
Irrigation project per <i>mu</i>	0	2.07	0	0	0
Education surcharge per <i>mu</i>	30.33	35.53	34	35	35
Family planning fee per <i>mu</i>	3.4	3.93	1.4	4	4
Military allowance per <i>mu</i>	1.2	1.4	2	1.4	1.4
Militia training fee per <i>mu</i>	1.53	1.2	1	1	1
Five-Guarantee household fee per <i>mu</i>	3.4	4.73	3	0	0
Road construction per <i>mu</i>	0	2	0	0	0
Animal immunization per <i>mu</i>	1	0	0	0	0
Village public accumulation fund per <i>mu</i>	12	0	0	2	6.6
Village public welfare fund per <i>mu</i>	3	0	2	2	2
Village administration fee per <i>mu</i>	8	8	8	8	8
Total taxes and fees	113.8+ 52 kg	139.3+ 52 kg	77+ 52 kg	80+ 52 kg	87+ 52 kg
Taxes and fees per <i>mu</i>	75.87+ 34.67 kg	92.87+ 34.67 kg	51.33+ 34.67 kg	53.4+ 34.67kg	58+ 34.67 kg
Taxes and fees per person	113.8 + 52kg	139.3 + 52kg	77+ 52 kg	80+ 52 kg	87+ 52 kg

Sources: Numbers taken from one peasant family's burden cards in various years. The cards were acquired during interviews with peasants in Xujiaba Village, Changtang Town, Yuanxiang County, Oct. 2002.

**Table A.20: Total Agricultural Tax and Unified Township Fees, Liugongwan Township (Part I) (unit: yuan, kg)**

Liugongwan township	Year 1992	Year 1994	Year 1995	Year 1996
Population size	33,024	33,431	32,885	32,687
Land size ( <i>mu</i> )	24,332 (computed)	25,259	25,259	25,259
Total agricultural tax	674,495 kg	674,495 kg	674,495kg	674,495 kg
Total education surcharge	445,824 kg	501,465 kg	578,776	849,862
Total family planning fee	14,859	16,722	138,117	163,435
Total national defense fee	59,443	66,862	65,770	98,061
Total road maintenance fee	14,859	16,722	16,443	0
Total five-guarantee household fee	59,443	66,862	115,098	163,435
Total unified township fees	148,604+445,824kg	167,168+501,465kg	914,204	1,274,793

Sources: Numbers taken from *Liugongwan xiang gecun gexiang shuishou ji gexiang shangjiao renwu fenpei biao* [Table on the distribution of required taxes and fees among all villages of Liugongwan township] of 1992, 1994, 1995, and 1996. The tables were acquired during various interviews with cadres in this township in Huaiyang District, Huaizhou City from 2001 to 2002.

**Table A.21: Total Agricultural Tax and Unified Township Fees, Liugongwan Township (Part II) (unit: yuan, kg)**

Liugongwan	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Population size	32,476	32,378	32,020	32,020	32,020
Land size	25,133	25,133	25,133	25,133	25,133
Total agricultural tax	674,495 kg	674,495 kg	674,495 kg	674,495 kg	667,940 kg
Total education surcharge	649,520	1,100,852	960,600	800,500	800,500
Total family planning fee	162,380	161,890	160,100	160,100	160,100
Total national defense fee	129,904	194,268	192,120	192,120	192,120
Total road maintenance fee	649,520	647,560	128,080	96,060	96,060
Total five-guarantee household fee	162,380	388,536	0	0	0
Total unified township fees	1,753,704	2,493,106	1,440,900	1,248,780	1,248,780

Sources: Numbers taken from *Liugongwan xiang gexiang shangjiao renwu fenpei biao* [Table on the distribution of required taxes and fees in Liugongwan Township] from 1997-2001. The tables were acquired during interviews in this township in Huaiyang District, Huaizhou Prefecture from 2001-2002.

**Table A.22: Total Agricultural Tax and Village and Township Fees of Qingpu Town in 2000 and 2001 (unit: yuan, kg)**

Year	Year 2000	Year 2001
Township name	Qingpu town	Qingpu town
Population size	60,763	60,714
Land size ( <i>mu</i> )	64,442	64,374
Total agricultural tax	1,913,899 kg	1,912,397.2 kg
Agricultural tax per <i>mu</i>	29.7 kg	29.7 kg
Total education surcharge	1,822,890	1,822,890
Total military allowance fee	455,071	455,071
Total militia training fee	81,500	81,500
Total family planning fee	331,075	331,075
Total road maintenance fee	151,454	151,454
Total unified town fees	2,841,990	2,841,990
Total disposable town fees	937,600	937,600
Total village fees	1,229,329	1,263,907
Total agricultural technology fees	96,614	64,374
Total irrigation maintenance fees	64,442	64,374
Total irrigation grain	0	594,480.5 kg
Total taxes and fees	4,232,375+ 1,913,899kg	4,234,645+ 2,506,877.7 kg
Taxes and fee per person	69.65+31.5 kg	69.75+41.29 kg
Taxes and fees per <i>mu</i>	65.68+29.7 kg	65.79+38.94 kg

Source: Numbers provided by village accountants based on the tax-and-fee tables of Qingpu Town, Zizhou County during interviews in the area in 2001.

**Table A.23: Dongxingyuan Town Total Agricultural Tax and Total Unified Township Fees (unit: yuan, kg)**

Dongxingyuan Town	Year 1999	Year 2000	Year 2001	Year 2002
Population size	45,600	45,438	45,416	44,903
Land size	47,196.66	47193.37	47159.54	43,939
Total agricultural tax	2,127,790 kg	1,732,066 kg	1,730,720 kg	2,502,625kg
Total education surcharge	1,550,400	1,499,454	1,453,322	0
Total family planning fee	205,207	227,190	227,080	0
Total military allowance fee	94,398	94389	94,339	0
Total militia training fee	47,199	47,195	47,170	0
Total road maintenance fee	47,199	47,195	47,170	0
Total unified township fees	1,944,403	1,915,423	1,869,081	0

Sources: Numbers taken from *Dongxingyuan zhen gecun liangshi renwu ji zhentongchou fenpei biao* [Table on the distribution of grain quotas and township unified fees among all villages of Dongxingyuan Town] of 1999, 2000, and 2001. The tables were acquired during interviews with cadres in Dongxingyuan Town, Yuanxiang County in Oct. 2002.

**Table A.24: Dongxingyuan Town Agricultural Tax and Unified Township Fees Per Person/Per Mu (unit: yuan, kg)**

Dongxingyuan Town	Year 1999	Year 2000	Year 2001	Year 2002
Population size	45,600	45,438	45,416	44,903
Land size ( <i>mu</i> )	47,196.66	47,193.37	47,159.54	43,939
Total agricultural tax	1,732,210 kg	1,732,066 kg	1,730,720 kg	2,502,625kg
Agricultural tax per <i>mu</i>	36.7 kg	36.7 kg	36.7 kg	58.10*
Agricultural tax surcharge per <i>mu</i>	0	0	0	11.62
Education surcharge per person	34	33	32	0
Family planning fee per person	4.5	5	5	0
Military allowance fee per <i>mu</i>	2	2	2	0
Militia training per <i>mu</i>	1	1	1	0
Road construction (per <i>mu</i> )	1	1	1	0
Taxes and fees per person	36.7 kg+42.62	36.7 kg +42.17	36.7 kg+41.17	68.22
Taxes and fees per <i>mu</i>	36.7 kg+41.20	36.7 kg +40.57	36.7 kg+39.65	69.72
* 2002 agricultural tax per <i>mu</i> :			816x6.98%x1.02=58.10	
2002 agricultural tax surcharge per <i>mu</i> :			816x6.98%x20%x1.02=11.62	
2002 agricultural tax plus surcharge per <i>mu</i>			58.10+11.62=69.72	

Sources: Numbers taken from *Dongxingyuan zhen gecun liangshi renwu ji zhentongchou fenpei biao* [Table on the distribution of grain quotas and township unified fees among all villages of Dongxingyuan Town] of 1999, 2000, and 2001 and from *Yuanxiang xian Dongxingyuan zhen nongcun shuifei gaige shishi fang'an jiben shuju yilan biao* [Table on basic data related to methods of implementing the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County] made by the town on June 10, 2002. The tables were acquired during interviews with cadres in the town in Oct. 2002.

**Table A.25: Peasant Burden Level Before and After the Tax-for-Fee Reform, Dongxingyuan Town (unit: yuan)**

	Year 1998		Year 2002
Total agricultural tax	1,737,961	Total agricultural tax	2,552,674
Total pig slaughtering tax	63,500	Total Special agricultural Product tax	70,000
Total unified township fees	2,127,049	Agricultural tax surcharge and special agricultural products tax surcharge	524,154
Total villages fees	1,295,613		
Total taxes and fees	5,224,123	Total taxes and surcharges	3,146,828

	Year 1999		Year 2003
Total agricultural tax	1,316,370	Total agricultural tax	2,552,674
Total pig slaughtering tax	63,500	Total special agricultural product tax	70,000
Total unified township fees	1,915,423	Agricultural tax surcharge and special agricultural products tax surcharge	524,154
Total village fees	871,842		
Total taxes and fees	4,167,135	Total taxes and surcharges	3,146,828

Source: Numbers taken from *Yuanxiang xian Dongxiangyuan zhen nongcun shuifei gaige qianhou shuifei qingkuang duibi biao* [Table comparing taxes and fees before and after the rural tax-for-fee reform in Dongxingyuan Town, Yuanxiang County]. The table was acquired during interviews with cadres in the town, Oct. 2002.

**Table A. 26: Total Taxes and Fees Collected by All Townships in Huaiyang District (unit: 10,000 yuan)**

Township Name	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Yonghua Town	1,434	170	309.4	229.3	420	245	270.3
Bailuchong Town	245.7	n/a	174.6	173.56	367.5	121.8	121.8
Huixiangpu Township	209.6	173.4	318.3	248.5	360.8	256	161
Wangyuting Town	224.3	285.9	197.6	238	292.4	182	178.6
Liugongwan Township	171.1	147.6	219.1	247.3	251	184.6	184.6
Qingcaotang Town	108.5	147	180.2	149.8	179	131	106.6
Heyepu Township	80.6	103	103.8	103.15	167	153	153
Zhoukou Town	136.5	342.1	282.7	322.13	2.3	197.8	210.5
Qianjiaping Township	349.5	478	608.5	689.66	12	494.5	451
Liubokou Town	194.5	438	398.5	556.67	11	327	417.2
Lijiadu Farm	n/a	n/a	n/a	n/a	n/a	106	109.8
Huaiyang District total	3,154	2,369	2,793	2,958	2,063	2,390	2,364

Source: *Huaiyang qu 1995-2001 nian xiangzhen tongchou, cuntiliu, shehui fudan, yizi dailao jin e qingkuang tongji biao* [Statistical table on township (town) unified fees, village fees, social responsibilities, and replacing labor with cash in Huaiyang District, 1995-2001] made by the Office of the Rural Tax-for-Fee Reform Leading Group of the district. The table was acquired during interviews with the director of the office in summer 2004.

**Table A.27: Total Taxes and Fees Collected in Qianjiaping Township (unit: 10,000 yuan)**

Qian Jia Ping township	Year 1995	Year 1996	Year 1997	Year 1998	Year 1999	Year 2000	Year 2001
Education surcharge	85.30	104	89.88	144.52	12	109.52	106.33
Family planning	21.10	23	24.26	27.56	0	24.11	24.32
Military allowance	14.02	14	16.30	16.37	0	20.24	20.66
Militia training	1.68	2	1.5	4.8	0	1.5	2.6
Road construction	33.58	36	123.89	156.34	0	67.2	71.11
Other	51.37	10	87.91	84.7	0	2.88	1.33
Total unified township fees	207.05	189	343.84	434.66	12	225.45	226.35
Village public accumulation fund	29	40	27	21	0	30	25
Village public welfare fund	13	19	14	13	0	21	16
Village administration fund	0	49	60	74	0	63	71
other	0	0	40	57	0	16	11
Total village fees	42	108	141	165	0	130	123
Administrative fees	3.8	4	5.4	0	0	0	0
Fines	5.56	3	4	0	0	0	0
funds	61	145	44.11	46	0	0	0
other	6.16	4	26.32	0	0	0	0
Total other types of burdens	76.52	156	79.83	46	0	0	0
Total taxes and fees	349.5	478	608.5	689.66	12	494.5	451

Source: *Huaiyang qu 1995-2001 nian xiangzhen tongchou, cuntiliu, shehui fudan, yizi dailao jin e qingkuang tongji biao* [Statistical table on township (town) unified fees, village fees, social responsibilities, and replacing labor with cash in Huaiyang District, 1995-2001] made by the Office of the Rural Tax-for-Fee Reform Leading Group of the district. The table was acquired during interviews with the director of the office in summer 2004.

**Table A.28: Level of Five Unifields and Three Levies Per Person in Lijiamiao Village, Fengyugang Village, and Liugongwan Township, 1988-2001 (unit: yuan, kg)**

Year	Name of Place	Five Unifields	Three Levies	Combined
1988	Lijiamiao	5.5	3.5	9
1989	Lijiamiao	5.5	3.5	9
1990	Lijiamiao	7.44	3.48	10.92
1991	Lijiamiao	8.63	4	12.63
1992	Lijiamiao	10.25	4.9	15.15
1993	Lijiamiao	12	5	17
1994	Lijiamiao	15.7	5	20.7
1995	Lijiamiao	34.3	9.5	43.8
1995	Fengyugang	27.13	13.5	40.63
1996	Fengyugang	64	15	79
1997	Fengyugang	49	17	66
1998	Fengyugang	45kg	27kg	72kg
1996	Liugongwan	34	n/a	n/a
1997	Liugongwan	49	17	66
1998	Liugongwan	65	27	92
1999	Liugongwan	45	18	63
2000	Liugongwan	39	17	56
2001	Liugongwan	39	17	56

Sources: Numbers computed from tables A.1-3, A.8, and A.6-7.

**Table A.29: Level of Five Unifields and Three Levies in Huaiyang District, Sishui City, and Yuanxiang County (unit: yuan)**

Name of Place	Year	Five Unifields	Three Levies	Combined	Unit of Measurement
Yongbozhou	2001	n/a	n/a	85.68	per <i>mu</i>
Guojiatang	1997	54.4	18	72.4	per person
Guojiatang	2001	45	14.4	59.4	per person
Hetang	2001	38.5	18.5	57	per person
Meishan	1999	27.2	27.2	54.4	per person
Meishan	2000	26.5	28.3	54.8	per person
Meishan	2001	27.5	30.2	57.7	per person
Cangyuan	2001	39.2	27.95	67.15	per person
Changtang	1997	36.46	26.4	62.86	per <i>mu</i>
Changtang	1998	44.06	10	54.06	per <i>mu</i>
Changtang	1999	38.4	10	48.4	per <i>mu</i>
Changtang	2000	41.4	12	53.4	per <i>mu</i>
Changtang	2001	41.4	16.6	58	per <i>mu</i>

Sources: Numbers computed from tables A.10, A.14, A. 16, A.15, A.18, and A.19.

**Table A.30: Level of Five Unifields and Three Levies in Two Villages in Zizhou County (unit: yuan)**

Village Name	Year	Five Unifields	Three Levies	Combined	Unit of Measurement
Quanshi	1999	51.93	25.5	77.43	per person
Quanshi	2000	46.75	21.17	67.92	per person
Quanshi	2001	47.23	21	68.23	per person
Quanshi	1999	47.35	23.25	70.60	per <i>mu</i>
Quanshi	2000	43.14	19.53	62.67	per <i>mu</i>
Quanshi	2001	43.57	19.37	62.94	per <i>mu</i>
Tongqiao	2000	51.77	27.6	79.37	per person
Tongqiao	2000	39.42	21.01	60.43	per <i>mu</i>

Sources: Numbers computed from table A.13.

**Table A.31: Level of Five Unifields and Three Levies in Dongxingyuan Town, Yuanxiang County and Qingpu Town, Zizhou County (unit: yuan)**

Name of Place	Year	Five Unifields	Three Levies	Combined	Unit of Measurement
Dongxingyuan	1999	42.65	n/a	n/a	Per person
Dongxingyuan	2000	44.16	n/a	n/a	per person
Dongxingyuan	2001	43.16	n/a	n/a	per person
Dongxingyuan	1999	41.20	n/a	n/a	per <i>mu</i>
Dongxingyuan	2000	40.58	n/a	n/a	per <i>mu</i>
Dongxingyuan	2001	39.64	n/a	n/a	Per <i>mu</i>
Qingpu	2000	46.77	20.23	67	per person
Qingpu	2001	46.81	20.82	67.63	per person
Qingpu	2000	44.10	19.08	63.18	per <i>mu</i>
Qingpu	2001	44.15	19.63	63.78	per <i>mu</i>

Sources: Numbers computed from tables A.22-24.

**Table A.32: Taxes and Fees Per Person Compared, Liugongwan Township (unit: yuan, kg, days)**

Year	Taxes and fees per person recorded at the township level	Taxes and fees per person recorded at the household level
1992	6.57 +46.89 kg	8.8+67.5 kg
1994	5.14+48.74 kg	24.22+55kg
1995	32.45 +47.81 kg	51.82+62kg
1996	40.33+52.49 kg	87.8+91.9kg
1997	66+39.5 kg+20 days	74.7+49.17kg+10 days
1998	92 +39.92 kg+20 days	119.7kg+10 days
1999	66.9+44.77kg+20 days	125kg+8

Sources: Numbers taken from tables A.6-7, A.1-2 and A.8.